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ESTABLISHED 1887

U.S. Stinger Missiles Enhance Effectiveness of Afghan Rebels

LATE NEWS

EC Farm Talks Make Progress

BRUSSELS (Reuters) — European Community agricultural ministers made progress Sunday in talks aimed at reaching a decision on the organization's annual dairy and beef production, and EC officials said the ministers were prepared to accept a plan to cut milk output by 6 percent and beef production by 10 percent in 1987.

IN THE NEWS

■ **Disarmament** — The United States and Soviet Union have agreed to a new agreement on the reduction of nuclear weapons. Page 2.

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By Bernard Gwertzman
New York Times Service

WASHINGTON — U.S. officials say that Afghan guerrillas have begun using newly provided Stinger anti-aircraft missiles and causing significant problems for Soviet and Afghan aircraft.

More planes and helicopters have been shot down than ever before, they said Friday, and the practice of the portable American-made missile has forced Soviet and Afghan pilots to fly higher, reducing their effectiveness against the guerrillas.



The police used tear gas Sunday to stop ethnic rioting in Karachi.

Ethnic Groups Clash in Karachi; At Least 40 Die

By Karam Khan
Washington Post Service

KARACHI, Pakistan — More than 40 persons were killed and 300 injured Sunday as ethnic Pathans unleashed a violent backlash to a government drive against a major drug and gun-running center, according to government and hospital reports.

Most of the victims were Urdu-speaking refugees known as Muhajirs who settled in Karachi after leaving India when independence was achieved in 1947 or after. The two ethnic groups had a violent clash in November that also left more than 40 dead, again mostly Muhajirs.

Contradictions Arise Over Pinpointing and North



HEADY BEAR — President Ronald Reagan covers his face with a teddy bear while leaving the Oval Office of the White House. The bear was given to him by Vinny Testaverde, the winner of college football's Heisman Trophy.

By James R. Dickinson and Tom Kenworthy
Washington Post Service

WASHINGTON — New questions have emerged in congressional testimony and at the State Department about the veracity of Vice Admiral John M. Pinpoint, the former national security adviser, and his deputy, Lieutenant Colonel Oliver L. North.

The Republican chairman of the Senate Intelligence Committee, meanwhile, has sharply criticized the White House for failing to cooperate with the investigation of the Iranian arms affair.

their north" by not helping make the full story public.

The Senate minority leader, Robert C. Byrd, Democrat of West Virginia, also criticized the Reagan White House.

"In my 34 years in the Senate," he said, "I have never seen such an arbitrary, arrogant, partisan White House."

In Taiwan, Murmurs Rise for Independence

By Nicholas D. Kristof
New York Times Service

TAIPEI — Dr. Hsing Ching-chang, a vocal critic of the government of the Republic of China, said in an interview that he was "dancing around a foreigner's question."

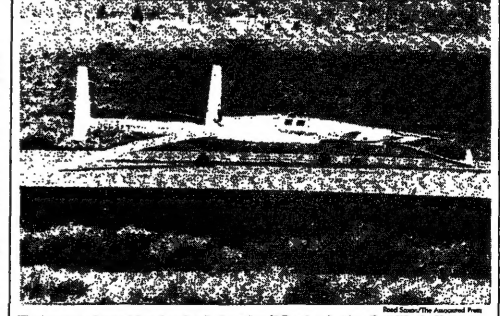
"I am waiting for anyone who talks about independence for Taiwan," he said nervously. "But the government's policy is to maintain the status quo. We are not the government of all China. So we cannot be in the United Nations, and I am a doctor and I cannot participate in the World Health Organization."

U.S. Experts Call Military Nuclear Plants Outdated

By Matthew L. Wald
New York Times Service

NEW YORK — The U.S. system for producing nuclear material for bombs and submarines is antiquated, aging and sloppy, pointing out a report by a group of experts on the plants and to some of the people who live near them, according to many experts familiar with the situation.

The Department of Energy, which owns and regulates the military nuclear complex, acknowledges that many of its plants are outdated and that changing standards have rendered some of them "dirtier" than newer facilities.



The Voyager dragged its wing tips during takeoff Sunday, but its pilots lifted off anyway.

OPEC Talks Bog Down on Price Boost

By Thomas Netter
International Herald Tribune

GENEVA — Talks between petroleum ministers of the Organization of Petroleum Exporting Countries over raising prices by cutting production bogged down Saturday and Sunday in an effort to overcome political and technical obstacles.

Several oil ministers and delegates interviewed during the day said that the talks to reach an agreement remained murky, but that much work remained to be done before the details of an accord could be presented in the form of a final communiqué.

Pretoria's New Curbs: Defeating Own Goals?

By Alan Cowell
New York Times Service

JOHANNESBURG — When South Africa's white rulers sought last week to justify their newest and most draconian tightening of emergency rule, they did so in a manner that seemed to undermine the very goals they sought to pursue.

The centerpiece of the government's case, as presented to reporters, is a slender, blue-bound document titled "ANC Planning 1987," said to be a policy statement of the congress obtained by Pretoria's intelligence services. So far, only the authorities have attempted to justify its authenticity.

Record-Setting Flight Attempt Starts

Pilots Hope to Circle World Nonstop, Without Refueling

The Associated Press

EDWARDS AIR FORCE BASE, California — The experimental U.S. aircraft Voyager took off Sunday in an attempt to set a record by circling the Earth nonstop.

One of the plane's 111-foot (33.7-meter) flexible wings was damaged when it dragged on the runway during takeoff, but the two pilots decided to press on and headed out over the Pacific Ocean.

U.S. and Spain Trade Threats as Conflict Over Bases Worsens

By Edward Schumacher
New York Times Service

MADRID — Disputed American bases in Spain have threatened to worsen the U.S. secretary of state, George P. Shultz, and Spanish officials separately threatening to shut down the bases altogether.

Mr. Shultz, responding to a question at a news conference Thursday after a meeting of the North Atlantic Treaty Organization in Brussels, raised the possibility that Spain's demands in the talks would make it "not very worthwhile to expend the resources necessary" for the bases.

Spain's foreign minister, Francisco Fernandez Ordoñez, addressing a news conference Thursday after a meeting with Mr. Shultz, said that the U.S. secretary of state had said that the U.S. would not meet Spain's demands to reduce the bases, which are operating under a 1963 treaty, "there will be no treaty."

Spanish officials said that this meant the 14,000 American troops spread among nine navy bases, three base support and communications installations would have to leave.

U.S. and Spanish officials said they were still optimistic that an accord could be reached. But they said the threats reflected a growing frustration over the negotiations.

Adding to Spanish anger was a statement by the U.S. defense secretary, Casper W. Weinberger, during a European swing a week ago that the American troops in Spain belonged to NATO. In response, Prime Minister Felipe Gonzalez noted that the troop treaty was a Spanish-American accord.

It must be an interpretation error, the prime minister said of Mr. Weinberger's comments, "unless it's a unilateral error of knowledge."

U.S. officials later said that Mr. Weinberger's comment was the problem by admitting in a news conference in Morocco during the same swing that he did not know when Centa and Melilla were, Centa and Melilla are Spanish enclaves on the Moroccan coast. Spanish

feared that NATO and the United States would not meet them should Morocco, which claims the enclaves, invade.

The Gonzalez government has been committed to reducing the U.S. presence since Spanish voters in an April referendum to stay in NATO. To overcome isolationist sentiments, Mr. Gonzalez stipulated in the referendum that the troops be reduced, no nuclear weapons be based in Spain, and that the troops be outside NATO's military structure.

To underline their seriousness, the Spaniards have set an unofficial negotiating deadline of next November. That would leave the six-month notice time for nonrenewal as required under the current treaty, which expires in May 1988. Spain's primary demand is that

the United States remove or sharply cut back the more than 4,500 U.S. troops on the American part of a Spanish air base at Torreón de Ardoz. Just 11 miles (18 kilometers) outside Madrid, the base is highly visible and thus a politically sensitive issue. Many leftists say the base invites an attack on the Spanish coast.

The United States argues, however, that the American wing of the 72nd Air Refueling Wing operating from the base is critical to Western defense because it would support the Italian, Greek and Turkish theaters in war.

Spain also is demanding that nearly 2,000 troops at an air base outside the northern regional capital of Zaragoza be sent home. The

Americans contend these troops are important for training and logistics support.

Spaniards do accept the presence, however, of the several air bases at a base near the southern town of Morón and of the nearly 5,000 troops at the Sixth Fleet's critical supply base at Rota. The United States voluntarily cut 500 American positions at Torreón last summer. But it argues that Spain must be capable of full filling Torreón's and Zaragoza's Western defense mission before more Americans are sent home.

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WORLD BRIEFS

Soviet Says Chernobyl Leak Is Over

MOSCOW (Reuters) — Radiation has stopped leaking from the April nuclear reactor at the Chernobyl power station that was the site in April of the world's worst nuclear accident. Soviet officials said. They contend that the reactor had been completely sealed in reinforced concrete. The Communist Party Central Committee, which earlier heard a report of the government clean-up commission, said the accident April 26 killed 29 persons and required 237 to be hospitalized. It said that compensation of 800 million rubles (\$1.17 billion) has been paid to victims.

The statement, published by Tass, also said that 12,000 homes had been built for the 16,000 people evacuated from the area, fewer than the 135,000 evacuees estimated previously. The statement said that the 500 nuclear fuel disperser now met normal sanitary levels and that 500 populated areas and 60,000 local buildings had been decontaminated.

Italy Threatened With New Bombings

ROME (UPI) — Nearly one year after terrorists killed 16 people and injured 72 others at Rome's Leonardo da Vinci airport, a group calling itself the Arab Revolutionary Brigades has sent a message to Prime Minister Bettino Craxi threatening new violence unless Italy frees Arab prisoners, newspapers reported Sunday.

No names were mentioned. But the threats coincide with an appeal court ruling, expected Monday, regarding two convicted terrorists, Mohamed Abdelhameed Mansour, who is serving 15 years for related activities, and Josephine Abdo Sarkis, who is serving 15 years for related activities. Italian police said they believe the new threats are linked to the 17.4 pounds (eight kilograms) of explosives in Italy in 1984, and Josephine Abdo Sarkis, who is serving 15 years for related activities.

450 Held After Looting in Zambia

LUSAKA, Zambia (Reuters) — Zambia police have detained 450 people during a night riot in the town of Ndola, the officials say. The riot broke out in the town of Ndola, the officials say. The riot broke out in the town of Ndola, the officials say. The riot broke out in the town of Ndola, the officials say.

A police spokesman, Lawrence Munsala, said shopkeepers go to police headquarters in the towns of Ndola, Kitwe and Chingola to report their property. ZANA reported. The rioters stole shoes, clothes, perfumes and electronic equipment during protests against a 100-percent increase in the price of maize meal. President Kenneth Kaunda closed the schools on Thursday.

Mr. Munsala said police continued to protect maize mills and were providing escorts for vehicles distributing maize meal, which is in short supply in the copper mining area after mills suspended production.

Commandos Free 2 From French Jail

PAU, France (UPI) — A commando unit of about 10 persons entered a prison near Pau in southwestern France early Sunday, took the wardens and their daughter hostage and freed two Basque militants, police said.

Four members of the group, dressed in police uniforms, drove into the prison just before 1 A.M. in two cars and a small truck. The others followed them in, and the group left with the two prisoners shortly after dawn. The woman and her daughter were released unharmed at a nearby campground.

Police identified the freed prisoners as Mari-Françoise, 25, and Jean-Baptiste Moussa, 27, members of the Basque separatist group Euzko Askatasuna. Police have attributed several terrorist attacks to the group. Mr. Moussa was serving a four-year term for possession of firearms and Mr. Moussa was serving a five-year term for an arson attack near Pau.

25 Killed as Rival Tamil Groups Clash

COLOMBO, Sri Lanka (Reuters) — At least 25 Tamil militants were killed in fighting between rival rebel groups over the weekend, residents said. The fighting broke out in the town of Batticaloa, the officials say. The fighting broke out in the town of Batticaloa, the officials say. The fighting broke out in the town of Batticaloa, the officials say.

Residents said the men died when the Liberation Tigers of Tamil Eelam, the most powerful of the four main guerrilla groups fighting for a separate state, clashed with the Eelam People's Revolutionary Liberation Front in the island's northern and eastern provinces.

Military sources said the Liberation Tigers lost eight fighters and killed 17 members of the other group in the battles that erupted Saturday night. At least 10 Eelam Front members were killed Sunday in a gunfight in the port town of Batticaloa in Eastern Province, while four others were killed in Chavakachcheri in the north.

For the Record

Journalists at Agence France-Presse voted Saturday to extend a general strike for 72 hours to protest a restructuring plan that would eliminate 1,000 jobs over the next three years.

Iran said it has destroyed an anti-aircraft missile base in the town of Tehran on Saturday and set fire to the Iranian capital's electric power station.

MISSILES: Afghan Rebels

(Continued from Page 1) rity cordons around the city. The officials said the Kabul airport and the city itself had repeatedly been shelled by guerrillas entrenched in foothills around the city. The Soviet Embassy has been hit and a large ammunition dump destroyed.

After suffering major defeats in the summer of 1985, the guerrillas have attacked effectively. Two Afghan Army camps of battalion size were overrun, with the capture of 400 to 500 soldiers.

The guerrillas remained in control of most of the two sides of the city. The officials said there had been many reports of armed clashes between the different leadership factions.

Of more significance, they said, were these developments:

• Military pressure on Kabul, the Afghan capital, remained in recent months, after Soviet forces had some success in building security cordons around the city.

• Despite Soviet efforts to cut off supply routes, the military equipment and supplies in the Afghan guerrillas in greater quantity and better quality.

PRESS: Pretoria's Curbs

(Continued from Page 1)

held through such organizations as the United Democratic Front.

According to the document, the congress seeks to promote the idea of "people power," to divide and enervate the white minority and harness black township protest as a quasi-military force led by congress representatives to press a "people's war."

But the document says the United Democratic Front is the congress's largest non-parliamentary opposition movement, which is the only group to have a political charter as the African National Congress — has failed to fulfill the promise of a new South Africa as a force of political mobilization.

It dwells, too, on a military strategy that has "not come anywhere near the achievement of the objectives we set ourselves."

If that is the case, a reporter asked a prominent minister, how can we receive an attributable answer, why all the fuss?

Politically and militarily, according to the official line, South Africa is not frightened of the congress, but it does not understand its ability to turn domestic protest to its own goals, which encompass the end of apartheid and the establishment of a new South African state.

That is said to be the economic order. That is said to be the economic order. That is said to be the economic order. That is said to be the economic order.

According to Dave Steward, a principal government propagandist, there is a comparison between South African press reporting of the congress in South Africa and American press reporting of Vietnam.

Mr. Steward said on nationwide television the congress was the American press contributed directly to the outcome in Vietnam. The congress is the same in South Africa, he said, but it does not intend to allow the same thing to happen here.

The regulations seem to dwell at length on a perceived danger of South African press, in particular, in promoting the "revolutionary onslaught."

It seems possible to report the mere fact that a boycott of, say, white-owned shops is taking place. But it is not possible to report the success of the boycott, or to report how people might be cajoled or intimidated or enticed into supporting it.

The government's reasoning seems to be that if news of a protest is reported, then that protest will find no echo that might encourage others to take part, or give heart to those who are already participating.

The regulations also expand the official definition of subversion, making it useful to advocate such forms of protest as boycotts, which are regarded by some as a peaceful means of resistance.

In a lead where normal parliamentary channels are not available to the people.

In a context in part dependent on who holds the psychological initiative, the government's view is that it is not longer acceptable. But it is not longer acceptable. But it is not longer acceptable. But it is not longer acceptable.

Even without further production of bomb force according to the experts, the United States would face a bill running into the billions, perhaps tens of billions, to make good on its promise to the South African government.

The Energy Department now agrees that much of its facilities need improvement and that it is historically has operated in a manner that is no longer acceptable. But it is not longer acceptable. But it is not longer acceptable. But it is not longer acceptable.

The department, dissatisfied with the contractors who run several of its operations, has replaced them and announced plans to do so at the uranium enrichment plant at Piketon, Ohio, at Fernald, and, Friday, at Hanford.

In the view of some of the government's opponents, the very redundancy of the supposed "people's war" is rooted in the increasing restrictions on nonrevolutionary alternatives. In the 27 months since the start of the war, the avenues of black protest — public meetings or black funeral rallies — have been steadily closed off, or narrowed, while the white authorities have shown themselves more and more emboldened, a mood encouraged by such high government officials as Prime Minister P. W. Botha.

After President P. W. Botha went on a nationwide television Friday night to justify the clampdown by reference to the purported African National Congress threat of terror and murder, Mr. Botha and his opposition in the segregated, white chamber of Parliament, said reports of impending violence and terror should be taken seriously.



Shite militiamen firing Sunday at the Burj al-Brajeh refugee settlement near Beirut.

Palestinians Block Lebanon Truce

BEIRUT — Palestinian fighters refused Sunday to withdraw from positions they have captured in clashes with Shite Muslims, blocking a peace plan proposed by Iran.

More than 600 people have been killed in three weeks of fighting between Palestinians loyal to Yasser Arafat, the chairman of the Palestine Liberation Organization, and Shite Amal militiamen in refugee camps in Beirut and southern Lebanon.

Police said fighting died down in Beirut and the southern port cities of Sidon and Tyre as a 12-member Iranian delegation tried to work out a truce. But the Palestinians said that their troops would not withdraw from the Magdhowth settlement near Beirut until Amal lifted its siege of the Kasbiyah camp in Tyre and Chaila, another Beirut camp.

The House of Commons that Britain handled military contracts with Iran as late as October 1986, but he said that anything said was "unintentional."

Mr. Hamilton said the trade was restricted to contracts signed before Shite Mohammed Reza Pahlavi was driven from power in the 1979 Islamic revolution. He did not describe the equipment that was sent.

There is no British arms embargo against Iran, but London has said it will not export to Iran as electronic and engineering equipment that could prolong the conflict.

In October 1985, the Defense Ministry said it had delivered spare parts for tanks and armored cars to Iran under existing contracts.

On Thursday, The Daily Telegraph reported that the British government had granted an export license to Plessey Co. to sell £240 million of aircraft radar detection equipment.

The paper said Plessey is to supply six AR-3D static air defense missile systems to the Soviet Union and Afghanistan.

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RIOTS: Ethnic Clash in Karachi

(Continued from Page 1)

hairs sections of the district, shooting and burning at will.

A five-year-old girl was burned to death in her house and a 10-year-old girl was shot in the head as she tried to run for cover, according to witnesses.

Doctors at the Abbasi Shaheed hospital stopped taking casualties after they had no more space in their emergency rooms.

"We received 18 bodies and 86 injured in three hours from 2 P.M. to 5 P.M.," said Dr. Abdul Basit, a surgeon at the hospital.

When Pakistani Army troops finally secured control of the area, fire department units were able to enter. Officials say they found at least 150 houses and shops ablaze, all owned by Muhajirs.

Other reports said that as many as 400 buildings were ablaze with Muhajirs also setting fire to some Pakistan-owned shops. Police reportedly opened fire to separate groups of Pakistanis and Muhajirs.

One of the injured, Mohammad Karim, quoted by news agencies as saying from his hospital bed: "The Pakistanis looked like barbarians. They were killing Muhajirs and looting shops. One Pakistan was saying he would kill at least six Muhajirs from each house."

Another casualty was quoted as saying: "I went out to see my brother, when all of a sudden I was hit by a bullet from a hill where there were more than 10 Pakistanis. They kept on firing indiscriminately until three o'clock. The area looked like a battlefield."

The Orangi Town district consists of a bowl-shaped area surrounded by hills and the most part of the hills are owned by Muhajirs. The violence followed a similar pattern as Sunday's with heavily armed Pakistanis sweeping down on the defenses Muhajirs.

The fire houses, built on desert scrubland about half an hour's drive from the center of Karachi, is a huge complex of tents and military-style stables where everything from cotton goods and smuggled electronic items to heavy arms and automatic rifles can be found.

International agencies experts say that hundreds of kilograms of heroin and hashish regularly pass through the bazaar, which is the end of the line for heavily traveled truck routes from the drug regions of the North-West Frontier Province, Pakistan and Afghan refugees dominate much of Pakistan's truck traffic.

Last week, in an embarrassing development, an army major being held on charges of transporting more than 200 kilograms of heroin escaped from a high security prison and reportedly was later seen in the Bazaar area.

IRAN: Senators Assail White House

(Continued from Page 1)

He was granted a delay to Tuesday.

But Mr. Dornberger said it was Colonel Reza's refusal to testify that ended his feeling of confidence that the administration would cooperate fully in making details of the Iranian controversy public.

Mr. Dornberger said that without the testimony of Admiral Plessey, Colonel North and Colonel Earl, "we just aren't going to get out of all this facts in the case."

Several inquiries to the House and Senate have already been made to start. The House and the Senate have agreed to form separate select investigating committees, with work expected to begin shortly after the new Congress convenes Jan. 6.

Swiss Link North to Accounts

By Loren Jenkins

BERN — Lieutenant Colonel Oliver L. North, the former National Security Council aide under investigation for diverting profits from arms sales to Iran to the Nicaraguan rebels, has been linked to Swiss bank accounts that the U.S. Justice Department's Criminal Investigation Division has asked the Swiss authorities to freeze, according to Swiss government officials.

Officials of the Ministry of Justice and Police, meanwhile, expressed surprise that the United States had failed to provide them with information they needed to freeze the accounts controlled by Colonel North and to lift Swiss banking secrecy covering them.

Colonel North, the officials said, had exclusive access to one of the accounts in the Geneva branch of the Credit Suisse bank, and shared access to the second account in the same bank with Major General Richard V. Secord, a retired air force officer, and with an Iranian-born U.S. businessman, Albert Hakim.

General Secord and Mr. Hakim have been named as key figures in the military supply operation to the Nicaraguan rebels, known as contra. The operation was reportedly directed by Colonel North.

It is suspected that both accounts were used by Colonel North and his associates in transferring receipts from the arms sales to help provide military aid to the contra.

Credit Suisse officials have said they froze two accounts on their own pending a request to do so from the Swiss government. If an official request, backed by evidence of a criminal investigation under way, is not made, the bank would be free to unfreeze the accounts.

A formal request from the U.S. Justice Department for Swiss government action to freeze the two accounts was received Dec. 8. But the Ministry of Justice and Police, which would have to act on it under Swiss law, ruled it inadequate and asked for further information.

NUCLEAR: Military Plants Are Called Antiquated

(Continued from Page 1)

problems, including radiation-induced growth of its graphite busters, threatening to make the reactor burst at the seams.

It is also the reactor in the United States that is most similar to the Soviet nuclear power plant at Chernobyl that exploded April 26; a review in the light of that accident led to the plans for a six-month, \$50 million upgrading program announced Friday.

Safety analysis reviews, a standard step required by the Nuclear Regulatory Commission before a civilian reactor can open, are not required for the Energy Department facilities, which are outside the commission's jurisdiction.

The General Accounting Office, a congressional investigative agency, has criticized this, noting that such studies have been performed for only five of the department's eight facilities, that they vary in

comprehensiveness and that some have undergone an independent review.

Radiation exposure at the military nuclear facilities is monitored by the contractor-operators, and in some plants they also set the exposure standards.

Unions representing nuclear workers say this makes them suspect, and union officials, in interviews and congressional testimony, have described a casual attitude toward radiation safety. Some of this is documented by internal reports of the contractors and the Energy Department and its predecessor agency, the Atomic Energy Commission.

Serious pollution problems are reported by the government at virtually all of the U.S. plants that form the production line for nuclear bombs, including Hanford, the Savannah River plant in South

Carolina, the Oak Ridge reservation in Tennessee and the Rocky Flats plant in Colorado.

Even without further production of bomb force according to the experts, the United States would face a bill running into the billions, perhaps tens of billions, to make good on its promise to the South African government.

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TAIWAN: Murmurs for Independence Are Increasing

(Continued from Page 1)

joining the United Nations. It did not specify whether the application should be in the name of all of China, or of Taiwan as an independent nation.

"We are very worried by the separatist tendency of the new party," said Ma Ying-ling, the deputy secretary-general of Taiwan's governing party, the Kuomintang.

And in Beijing, a Foreign Ministry spokesman said Ma "firmly opposed to any theory and acts that advocate independence of Taiwan or self-determination."

The possibility of independence was a strong undercurrent in the campaign for the Dec. 6 elections, in which 23 of the 44 candidates

fielded by the Democratic Progressive Party, those who came from the mainland in the late 1940s, and by their descendants.

Taiwan's legislative bodies pursue to represent the mainland as well as the island. They include a large number of delegates elected from the mainland in 1947 and 1954.

The members have lifetime tenure and rarely attend sessions from Taiwan.

Opposition candidates poked fun at the mainlanders, portraying them as naive and able only to list their lands in ascent to the government.

A new pressing problem is that the mainland delegates are dying. Taipei has said it is considering major changes; typical proposals involve reducing the number of mainland delegates to represent the mainland.

After President P. W. Botha went on a nationwide television Friday night to justify the clampdown by reference to the purported African National Congress threat of terror and murder, Mr. Botha and his opposition in the segregated, white chamber of Parliament, said reports of impending violence and terror should be taken seriously.

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AMERICAN TOPICS

Formerly a Reward, GI Bill Is Now a Lure

At the end of the World War II, Congress voted the first GI Bill of educational benefits to help veterans in the transition back to civilian life. Later, the bill was extended to those who served in the Korean and Vietnam wars.

Since the end of the draft and the advent of all-volunteer service in 1973, however, the purpose of the bill has fundamentally changed. Richard Halloran reports in *The New York Times*: "It has become less an award and more an incentive to attract young recruits."

The army has found in a survey that the prospect of money for college is now the leading reason young men and women enlist, replacing a negative motivation: inability to get a civilian job. The next reason given is to learn a skill.

Army officers say 45 percent of recruits today sign up for the new bill, which requires a \$100 deduction from their \$373 monthly basic pay for the first year of service.

The bill may hinder the retention of experienced personnel. The army is a mix of a military college education gives bright young people an incentive to leave. This is more of a drawback for the army and air force, which need many technicians, than for the army or marine corps, which need

large numbers of ordinary combat soldiers for relatively short periods.

Short Takes

Housing prices in Cambridge, Massachusetts, have risen more than 30 percent in the past few years and now can run well over half a million dollars. With Harvard professors making an average annual salary of \$65,000 a year, fewer and fewer of them are able to live in the university's home city. "Cambridge as a home for Harvard people is dead," said George C. Higgins, 75, a professor emeritus of sociology. He bought his late-Victorian brownstone house for \$25,000 in 1955. Similar houses nearby recently sold for more than \$700,000.

Clevelanders took exception to a proposed magazine advertisement showing a gray industrial skyline labeled "Cleveland" and a woman sunning on a beach marked "Palm Beach County, Florida." The ad was for a new book, "The fact that they don't see the same, where would you prefer to live? Your business meeting?" Robert Koenig of the Palm Beach County convention bureau said, "We never intended to offend a destination. Cleveland has some awfully fine qualities, based on all the letters I've gotten

and the radio stations that have called to tell me that at 6:30 in the morning."

Piper-Helbeck, the French champagne house, commissioned a survey of businessmen's drinking habits and offered a free bottle of champagne, or a charitable contribution in the executive's name, as an incentive to participate in the study. Only four of the 121 who took part opted for champagne.

Shorter Takes: The Federal Aviation Administration has proposed banning flights below the rim of the Grand Canyon, where a collision of an airplane and a helicopter killed 25 persons this year. Portland, Oregon, is trying, with some success, to make downtown more livable by banning sales of fortified wine to disoriented devotees from congregating. Similar measures are being discussed in Seattle, Los Angeles and Washington. California's San Quentin prison got rid of its noisier jailbird—a mascot that flew in and kept inmates awake for days with his constant squawk. "I can walk—can you fly?" it finally was named and returned to its owner.

Notes About People

Mayor Coleman A. Young of Detroit, despite strong reserva-



HIGH-CLASS TRASH—Sidney Mobell, a San Francisco jeweler, shows off a 10-gallon, gold-plated garbage can he made for himself. Mr. Mobell calls his creation "La Garbage" and has put a \$150,000 price tag on it.

tion, has signed legislation requiring a 30- to 90-day jail sentence for anyone caught carrying handguns. Detroit has had more than 480 fatal shootings so far this year, the highest rate in the United States. Mayor Young called the measure "little more than a fig leaf covering only a very serious and very serious problem." But added, "Frankly, it is not worth the waiting and gnashing of teeth which would pour forth if I were to veto it."

White House spokesman, is moving to Merrill Lynch & Co., the New York brokerage house, sources in the White House press office say the leading candidates to succeed him are Albert R. Brauns and Peter H. Roush, both of whom were in the White House press office. Ann Dore McLaughlin, under secretary of the interior, Gary Schuster, former CBS correspondent and now a White House media consultant, and Sheila B. Tate, former press secretary for Nancy Reagan.

—ARTHUR HIGGINS

Now that Larry Speakes, the

Reagan Is Proposing the Sale Of Amtrak Under '88 Budget

By Robert Pear

WASHINGTON — President Ronald Reagan's draft budget for the next fiscal year proposes the sale of Amtrak's Northeast passenger line, serving New York, Washington and Boston, administration officials said Saturday.

They also said the draft budget called for a cut of more than 50 percent in federal aid for urban mass transit systems, to \$1.6 billion from the current \$3.4 billion. Mr. Reagan has proposed cuts in mass transit assistance for several years, with only limited success in Congress.

Federal budget and transportation officials, discussing their plans for Amtrak, said they were heartened by the success of their five-year campaign to win congressional approval for selling Conrail, the freight railroad. The budget for the fiscal year 1988, which starts Oct. 1, is to be submitted to Congress on Jan. 5.

According to an administration official working on the budget, the draft proposal selling Amtrak's Northeast Corridor service in its entirety, including facilities owned by railroads. It has not been decided whether it would be sold to a single private corporation or through a public stock offering, the official said.

W. Graham Clayton Jr., the

chairman and president of Amtrak, officially National Railroad Passenger Corp., said the proposal to sell the Northeast Corridor service was not feasible.

"There are no buyers," he said Saturday. "It's not profitable. No passenger service in the world is profitable."

The proposed sale, which was criticized Saturday by consumer representatives as detrimental to rail passengers, faces an uncertain fate in Congress. Some rail industry experts doubt there would be any private buyers.

But some of Mr. Reagan's proposals to turn over government functions to the private sector, after being harshly criticized at first, were eventually approved by Congress.

Amtrak was established by Congress in 1970, when railroads were divesting themselves of intercity passenger service because it was unprofitable. Administration officials said Amtrak management had turned the Northeast Corridor service into a financially sound business that would be attractive to investors.

In the Northeast Corridor, Amtrak now carries more passengers daily than any of the airlines with its complete stock offering, the official said.

ing 10.5 million in the eight states served by the Northeast Corridor lines: New York, New Jersey, Connecticut, Maryland, Delaware, Pennsylvania, Rhode Island and Massachusetts.

The proposed sale is part of Mr. Reagan's overall effort to transfer government assets and programs to private industry. He has, for example, proposed the sale of the Bonneville Power administration, the naval petroleum reserves, government loan portfolios and surplus real estate owned by federal agencies.

The Office of Management and Budget initially estimated that the government could obtain \$2.8 billion from the sale of Amtrak's Northeast Corridor. Transportation Department officials said the figure was too high, and it has since been reduced to a little more than \$1.5 billion.

Amtrak's revenue sources include real estate, payments for carrying mail, and leases to telecommunications companies that lay fiber optic cable along Amtrak's right of way.

Amtrak owns Pennsylvania Station in New York City and 30th Street Station in Philadelphia, as well as stations in Baltimore, Maryland and Wilmington, Delaware, according to R. Clifford Clark 4th, a spokesman for Amtrak.

Managua Says American Is Arrested at Air Base

MANAGUA — An American citizen, the brother of a U.S. congressman, has been arrested carrying military maps at an air base in northern Nicaragua and is being held on suspicion that he was spying, according to the government.

Foreign Minister Miguel D'Escobar Brodmann said Saturday that the American had been identified by his U.S. passport as Sam Nealey Hall, 46, of Dayton, Ohio. Mr. D'Escobar said he had been arrested Friday inside an air base at Punta Huate, north of Managua.

Mr. Hall is the brother of Representative Tony F. Hall, a Democrat of Ohio.

A State Department spokesman, Bruce Auman, said Sunday that he had no independent confirmation of Mr. Hall's arrest. "We hope that the government of Nicaragua will allow us access to the person arrested," Mr. Auman said.

Mr. D'Escobar said that Mr. Hall had first identified himself as a writer interested in Nicaragua, but later told the Nicaraguan newspaper that he was a U.S. congressman's brother.

"He said that this battalion is a private organization that works for the U.S. armed forces," Mr. D'Escobar said.

"He said that the function of this battalion was to carry out espionage

and gather military intelligence data of interest to the U.S. government," D'Escobar said.

He said that when Mr. Hall was searched authorities had found hidden in his sock a hand-drawn map detailing military positions of interest in Nicaragua.

Mr. D'Escobar said that the Nicaraguan government did not have any further information about the Phoenix Battalion. He said that Mr. Hall had not said where the map was drawn or who drew it.

Mr. D'Escobar said that Mr. Hall would be investigated in the same manner as Eugene Hasenfus, the American air cargo specialist whose plane was shot down while on a supply mission to the U.S.-supported Nicaraguan rebels.

Hasenfus was captured by a Nicaraguan battalion and sentenced to 30 years in prison.

Last week, a Nicaraguan appeals court upheld the sentence against Hasenfus. His lawyer has indicated he will seek a presidential pardon for Mr. Hasenfus.

In a June 1985 interview with *The Associated Press*, Mr. D'Escobar said he was a self-employed military adviser and counterintelligence. He said he was teaching command tactics to anti-Sandinista Miskito Indians in Central America.

At the time, he was working with



Foreign Minister Miguel D'Escobar Brodmann showing a copy of the map that he said was in Sam Nealey Hall's sock.

a private group in Flint City, Alabama, called Civilian-Military Assistance, which was organized to supply and assist anti-Communist forces in Central America.

Mr. D'Escobar said in an interview with the Miami Herald's System that Mr. Hall had been taken to carrying maps and information about possible military targets in Nicaragua.

Mr. D'Escobar said that the information obtained by the government had confirmed "information that we have gathered from many sources about a plan, a United States plan, to attack Nicaragua."

"The map that was found contained the type of information with some accuracy data that would be of interest only to someone who has evil intentions — would be of interest only to a real or potential enemy of Nicaragua," Mr. D'Escobar said.

Mr. Hall's mother, Anna R. Hall of suburban Dayton, Ohio, said a friend of her son's had told her that he was in Nicaragua and had planned to return on Tuesday.

She said that until about two months ago, Mr. Hall had been in Florida working for a Tampa-area branch of a Dayton furniture store.

U.S. Radio Monitor Cited In Kim Death Report

By Don Oberdorfer

WASHINGTON Post Service — Erosion reports last month of the death of President Kim Il Sung of North Korea were passed by a U.S. radio monitor who thought he heard a North Korean broadcast to that effect, according to State Department officials.

A U.S. intelligence report on the solitary and surprising broadcast attributed to the Pyongyang radio — was passed by the U.S. military command in Seoul to South Korean military officials on the weekend of Nov. 15-16. They quickly informed their country's top leadership, the sources said.

Up to that point, what happened is established fact. Washington officials said Saturday. But the reasons for what happened next are murky.

On Nov. 17, the South Korean Defense Ministry announced that North Korean propaganda loudspeakers at the demilitarized zone were broadcasting news that Mr. Kim, 74, had been fatally shot.

No recording is said to have been made of the original North Korean broadcast. But Washington and the U.S. military command in Seoul treated the broadcast warily because it was not repeated, no change in general programming to solemn music was reported and there was no indication of troop movements or other unusual activity in the North Korean capital.

Mr. Kim is officially known as "the great leader" in the closed communist system he has led since World War II.

Some U.S. officials believe the original report to have been a misinterpretation of a broadcast about the life — and death — of Kim Il Sung's mother, who is officially venerated in North Korea. Only one radio monitor of one U.S. agency heard that report.

The loudspeaker transmissions at the North-South dividing line also were not reported. State Department officials said many doubts exist about these reported transmissions. South Korean military and civilian intelligence authorities were under heavy pressure from the White House, Seoul's equivalent of the White House, to produce information about Mr. Kim's reported death following the U.S. tip.

One official speculated that South Korean troops at the demilitarized zone, who were predisposed to believe that something had happened to Mr. Kim, either thought they heard confirmation from the loudspeakers across the DMZ or manufactured the confirmation to please higher-ups.

Either way, clear-cut refutation of the loudspeaker transmissions would be embarrassing to the South Korean military establishment, which made public an hour-by-hour chronology and "transcript" of the alleged announcements.

According to the Washington sources, careful study has failed to show that anything happened to Mr. Kim four weeks ago. On Tuesday, Nov. 18, a day after the news of his supposed death was flashed around the world, North Korean news agencies reported that Mr. Kim had signed a Pyongyang agreement to greet a visiting Mongolian delegation, and released a photograph as proof.

The death report notwithstanding, several aspects of the situation in North Korea give rise to speculation and uncertainty among Washington officials.

In mid-October, Mr. Kim made a surprise four-day trip to Moscow, the results of which are unknown. One unusual feature of the trip is that Mr. Kim was reported to have flown to the Soviet capital although he usually travels by train and is said to dislike flying. His trip, only his second in two decades to the Soviet capital, apparently was hastily planned.

Most of the uncertainty arises from the succession process, which has long been under way. "The great leader" is eventually to hand over power to his son, Kim Jong Il, 46, officially known as "the dear leader."

Although no dissent is tolerated in North Korea and all is calm on the surface, many Western observers believe there is resistance to the dynastic succession of the younger Mr. Kim, who is less experienced than military, Communist Party and other major government figures.

General Strike on Austerity Fails to Paralyze Brazil

By Alan Riding

RIO DE JANEIRO — A 24-hour general strike, the first coordinated labor action in Brazil since the return of civilian rule last year, has failed in its primary objective of paralyzing the country, while slowing economic activity in much of Brazil.

The limited success of the strike Friday appeared to reflect the continued weakness of the union movement in most areas of the country except the industrial sector of São Paulo.

The action was called by labor organizations to protest government austerity measures, in particular recent price increases.

The low adherence to the strike also suggested that many Brazilians accepted the government's view that it was premature to gauge the impact of price increases. They said that until about two months ago, Mr. Hall had been in Florida working for a Tampa-area branch of a Dayton furniture store.

Political commentators said the labor movement's failure to paralyze Brazil should provide some political oxygen to President José Sarney, who has seen his popularity tumble since the price increases were announced last month.

The decision last month to relax a nine-month-old price freeze came in response to signs that increases in economic growth and consumer spending had eroded the country's trade surplus and foreign exchange reserves and were threatening to complicate upcoming negotiations to restructure most of Brazil's \$105-billion foreign debt.

Brazil pays nearly \$1 billion a month to service the foreign debt. Many Brazilian economists, politicians and labor leaders advocate a moratorium on the debt payments.

Outside São Paulo, where 80 percent of large factories were closed, industry, banks and commerce were operating almost normally in most cities. Some disruptions of public transportation — like the subway in São Paulo and Rio de Janeiro — meant that supermarkets and streets were emptier than usual.

The government, which asserted that nationwide only 10 percent of workers joined the stoppage, denounced the strike as politically motivated. It put tens of thousands of police and troops onto city streets to protect workers who ignored the strike call.

Minor incidents were reported in several cities involving clashes between police and picketers, occasional looting of stores and, in Rio de Janeiro, the looting of a haul of stores. More than 100 arrests were made in various areas.

(Flavio Pachalati, a labor federation spokesman, said that the result

was "a victory" but conceded that the impact was spotty; the Los Angeles *Times* reported.

"The strike affected all states in proportion that varied between 10 percent and 70 percent of the working population," Mr. Pachalati said.

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Poet Is Free to Leave Soviet

By Moscow

MOSCOW — Krista Ratushinskaya, a poet released from prison two months ago, says she has been given permission to leave the Soviet Union.

Miss Ratushinskaya, 32, said Saturday that she and her husband, Igor Geraschenko, planned to leave for Britain in a few days but hoped to return to defend human rights in the Soviet Union.

"We can and must defend human rights by keeping our Soviet citizenship," she said by telephone from her home in Kiev.

"It will be very difficult to leave the country and very difficult to return," she added. "I don't know if they will let me."

Miss Ratushinskaya, regarded by Western critics and Soviet foreign writers as one of the most gifted modern poets, was released from a Kiev prison Oct. 9 after being

transferred there from a labor camp in July.

She was sentenced in April 1983 to up to seven years in labor camp for "anti-Soviet agitation and propaganda" after being arrested for illegally circulating poetry considered critical of Soviet history.

Five weeks ago the authorities refused to examine her initial application to leave.

Miss Ratushinskaya said she planned to undergo medical treatment in Britain, and visit other countries that had invited her, including the United States, Australia, Norway, France, Italy and Sweden.

She has heart problems and bronchitis that Mr. Geraschenko recently described as serious.

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Herald Tribune

Published With The New York Times and The Washington Post

An American Crisis

What Needs Knowing

Six weeks into the Iran-contra crisis, the public remains in a state of questions. They are pressing questions. The crisis arises not because of a partisan desire to punish the president but because of the widest fears that leadership and orderly governmental process have broken down.

What is known suggests enormous misjudgments; the justifications remain clothed in silence, or partial explanation. What is known suggests arrogance about obeying the rules; the background, Paul Lader who decided what. The facts at hand suggest violations of law; it is not possible to discern whether they were willful.

One way to understand the story so far is to organize the facts around the gap and then to judge what needs to be known about the Reagan administration's policies concerning Iran, covert war in Nicaragua, hostages and terror, congressional involvement in foreign affairs and, ultimately, presidential responsibility.

The administration made contact with Iran through intermediaries at a wrenching time. Officials had information about Iranian complexity in terrorist incidents in the Middle East in which Americans were killed or taken hostage. Yet officials who fully understood Iran's extraordinary geopolitical importance began negotiating with reports that "moderates" were wanted to improve relations with Washington.

No one would care at exploring such factors with great care. There are few signs of care. What were hard evidence of Iranian involvement in the terrorist moves? Was there a real basis for believing that the "moderates" actually wanted to curb terrorism and enhance it? Exactly what was the logic behind the idea of selling arms to an extremist regime would help "moderates"? Or were they seeking arms only to break open the Iran-Iraq war? The known facts make the administration's conduct look shamefully casual and shallow.

Strengthening Iranian moderates and freeing hostages are goals that America shared with Israel. The CIA and Robert McFarlane, then the national security adviser, pressed for action. Iran began shipping U.S.-made weapons and spare parts to Iran. Conversations with Iranians turned to an arms-for-hostages deal. The Israelis made at least two shipments in 1985. One hostage was released in September.

Did the administration recognize that, once exposed, this arrangement would contradict its every denunciation of terrorism? There might have been yet another contradiction depending on what kind of arms were sent. Quantity and quality could have emboldened Iran to fight harder in the war against Israel.

Even if these considerations caused no hesitation, why didn't the law? Estimates of Israeli arms sales to Iran in 1985 range from \$12 million to \$1 billion. U.S. law requires that Congress be notified for sales over \$14 million. Did President Reagan specifically approve these transactions, as Mr. McFarlane and the Israelis say, or not? Attorney General Edwin Meese claimed that the question reverberates. The answer is important not so much for the law but because it can show whether Mr. Reagan was in charge at the beginning or whether the policy machinery was already out of control.

Last December the administration withdrew Iranian approval it had given to the arms sales. A month later, over the objections of Secretary of State George Shultz and Defense Secretary Caspar Weinberger, President Reagan directed the CIA to exchange more arms for hostages. Large quantities of anti-tank and anti-aircraft missiles were sold, at a huge profit. More hostages were released — and the cycle was taken.

The perils of this policy were vastly magnified, meanwhile, when Oliver North, an aide to John Poindexter, the new national security adviser, used the profits from the arms sale in a CIA Swiss bank account, to buy arms for the contra rebels in Nicaragua. What, if anything, did Mr. Weinberger and Mr. Shultz know of the sales to Iran this year, even while they continued to inveigh against any such act? Why did not others who knew in one way or another raise objections or tell the president the truth?

Apparently at Iranian instance, a Lebanese magazine revealed the Iran deal on Nov. 3. Mr. Meese investigated, and he and the president disclosed pieces of the story. Even at that point, President Reagan spoke of only one place of arms. Was he still unaware of how much more was shipped, and if so, who misinformed him?

The truth now known already shifts. The rest needs to be known. If, as reported, Mr. Reagan decided against notifying Congress of the covert arms shipments to Iran, he was violating statute. The question bears on the administration's larger attitude toward the law. Perhaps it is felt that the law can be disregarded not just the law but its own past policy statements as well.

What makes these questions so troubling is the possibility that the president truly did

not know what was happening, and that subordinates felt free to take such actions on their own authority. If either failure are to be averted, such shortcomings of policy, process and people have to be uncovered. One way or another, the public and the president need to know, so we can once again trust and he can once again lead.

How Best to Find Out

There may have been a moment when President Reagan could have cut to the heart of the crisis. A close friend, Paul Lader, urged him to do it. So did a not so close friend, Jimmy Carter. So did others, saying: "Friend the people who should know the Oval Office, interview them and then tell the public. That bold approach could have cleared the air instantly."

It would have put the emphasis on correcting error rather than on dodging blame. And it would have spared legal suits the pain of pleading the Fifth Amendment. The public, after all, is much more interested in quickly getting to the bottom of the crisis than the administration is in continuing to keep the scandal covered up for so much. The fact that the president did not pursue this course opens its own questions.

Even if he should now pursue this course, he is reportedly in contempt, weeks have gone by. President and nation now confront years of inquiries, including Mr. Reagan's panel to examine his National Security Council staff. Both houses of Congress will inquire into policy. An independent counsel will soon be asked to pursue the case. There is a slow, more laborious course. More searching, it may also end up the worse course.

At first blush, the fact-finding task of Congress seems to be the best. The criminal investigation of the independent counsel, already Vice Admiral Poindexter and Lieutenant Colonel North, and two NSC staff members, is a good start. The NSC staff, on the whole, realistic grounds that the independent counsel might find their testimony incriminating. The Watergate special prosecutor, by cooperation among the committee and the two congressional select committees that are scheduled to convene next month, are the best way to get to the bottom of the crisis.

The Watergate special prosecutor, by cooperation among the committee and the two congressional select committees that are scheduled to convene next month, are the best way to get to the bottom of the crisis. The Watergate special prosecutor, by cooperation among the committee and the two congressional select committees that are scheduled to convene next month, are the best way to get to the bottom of the crisis.

It is unfortunate that the Senate and the House will not consolidate their efforts. But there will be televised sessions and there will be links, but there are checks on abuses. One is that Democrats seek to expose the administration's actions to bring down another president.

To his credit, Mr. Meese moved quickly to apply for a court-appointed independent counsel. He has realized that crime must have been committed. Whether he realized it soon enough remains a question. For all his pride in being the top cop, he let his subordinates do the dirty work. He let his subordinates do the dirty work. He let his subordinates do the dirty work.

Mr. Meese's application for the independent counsel again vindicates the independent counsel action of the 1974 Ethics in Government Act. It is a law this administration wanted to repeal as an invasion of executive power. Instead, Congress wisely fine-tuned it in 1982, providing the very grounds that Mr. Meese cited for taking himself out of this case: that for him to do the investigating "may result in a personal, financial or political conflict of interest."

His application fails to ask the court to investigate the aspects of possibly illegal conduct in aid of the independent counsel's charter. The court should broaden the mandate. Mr. Meese correctly challenges the court to investigate the aspects of possibly illegal conduct in aid of the independent counsel's charter. The court should broaden the mandate. Mr. Meese correctly challenges the court to investigate the aspects of possibly illegal conduct in aid of the independent counsel's charter.

No rush to accuse, acquit or immunize will make the truth emerge any faster. Most people want to get it all out, and over with, but not before learning what "it" is. Was Congress deceived or merely circumvented? Is there a legislative draftsman who can devise checks against future abuses? It could have reassured the public to have quick answers. It will reassure the public to have painstaking ones.

—THE NEW YORK TIMES

To Recover, Reagan Has to Come Clean

By Senator Ernest F. Hollings

The writer is a Democrat from South Carolina.

WASHINGTON — Like a grade B Hollywood remake, the Iran-contra scandal is rapidly degenerating into President Reagan's Watergate. It recalls the adage that historical phenomena happen twice, the first time as tragedy and the second as farce.

The trouble is, nobody is laughing anymore. What started as a grade B remake has now evolved into a first-class disaster. The Iran-contra scandal is a disaster. The Iran-contra scandal is a disaster. The Iran-contra scandal is a disaster.

However, this crisis need not destroy the administration. Since taking office in 1981, Mr. Reagan has restored the presidency to authority and pre-eminence. The people have genuine affection for him. They trust him. To maintain that high standing, he must, as he himself has said, "fully inform" the nation about the entire scandal. He must come clean.

No, I am not talking about cashing Donald Regan or retiring the National Security Council. Those actions are necessary, but they fail to tackle the core problem: the moral blow dealt to the president's credibility and standing.

The fact is that the vast majority of the American people do not believe that the president is telling the full truth about his knowledge and involvement. As with Watergate 12 years ago, what hurts most is not the violation of law but the wanton betrayal of trust.

The president's plea of ignorance stands on increasingly wobbly legs. The first is "I don't know," a standard ingredient of any illegal covert operation. Unfortunately, as Senator Bob Dole has observed, not even Ripley of the "Believe It or Not" column believes that the president is telling the full truth about his knowledge and involvement. As with Watergate 12 years ago, what hurts most is not the violation of law but the wanton betrayal of trust.

Second, I had serious misgivings about what we had done and how we had done it. I fear showed that we had taken to Congress and to the public the best way for the nation to learn from them. My third reason was that I sincerely believed in the American system of government. Trust, it turns out, is not an easy virtue to come by. It is a virtue that must be earned. It is a virtue that must be earned. It is a virtue that must be earned.

Without question, the men and women of our government are faithful and occasionally corrupt. It is always possible that some of them may even have the best of intentions. Citizens sometimes go unpunished for crimes in America and misled congressional committees in violation of the Hatch-Sloan Amendment requiring the executive to inform Congress of covert activities.

To cover our activities, high CIA and State Department officials gave false testimony to congressional committees, seemingly a matter of course. The Iran-contra scandal is a matter of course. The Iran-contra scandal is a matter of course. The Iran-contra scandal is a matter of course.

We begged Congress "not to let the hand of the president be against the American people." The Iran-contra scandal is a matter of course. The Iran-contra scandal is a matter of course. The Iran-contra scandal is a matter of course.

Unlike Colonel North, I refused to plead the Fifth Amendment when testifying for several days before the Senate Intelligence Oversight Committee. I refused to plead the Fifth Amendment when testifying for several days before the Senate Intelligence Oversight Committee. I refused to plead the Fifth Amendment when testifying for several days before the Senate Intelligence Oversight Committee.

The fund does not in policy or practice, support abortion anywhere. Conscience is at odds with the principles and purposes of United Nations family planning efforts. The fund is explicitly charged with helping countries provide the information and means for every individual and couple to decide freely on the number and spacing of children.

The fund's assistance to China has included technical support for its

Two Men Hold the Key

THE Iran arms sale controversy threatens to keep the country bogged down for months.

The president's credibility is being challenged. Even members of Congress, who ought to know better, are expressing totally unfounded "inferences" of presidential involvement. We have to get all the facts out now, so the public can make up its own mind. We have to get all the facts out now, so the public can make up its own mind. We have to get all the facts out now, so the public can make up its own mind.

Two men hold the key. They are one of the most important people in the world. They are one of the most important people in the world. They are one of the most important people in the world.

Advice to North From a Man Who Ought to Know

By John R. Stockwell

The writer is a former marine who spent 13 years in the CIA as a paramilitary specialist in operations involving the Congo, Vietnam and Angola. He described the Angolan operations in a book published in 1978.

Some. One, I doubted that any jury in the land would be likely to convict a decorated officer for conspiring to implement a foreign policy that had been ordered and approved by members of the National Security Council, however misinformed the policy.

Second, I had serious misgivings about what we had done and how we had done it. I fear showed that we had taken to Congress and to the public the best way for the nation to learn from them. My third reason was that I sincerely believed in the American system of government. Trust, it turns out, is not an easy virtue to come by. It is a virtue that must be earned. It is a virtue that must be earned.

Without question, the men and women of our government are faithful and occasionally corrupt. It is always possible that some of them may even have the best of intentions. Citizens sometimes go unpunished for crimes in America and misled congressional committees in violation of the Hatch-Sloan Amendment requiring the executive to inform Congress of covert activities.

To cover our activities, high CIA and State Department officials gave false testimony to congressional committees, seemingly a matter of course. The Iran-contra scandal is a matter of course. The Iran-contra scandal is a matter of course. The Iran-contra scandal is a matter of course.

We begged Congress "not to let the hand of the president be against the American people." The Iran-contra scandal is a matter of course. The Iran-contra scandal is a matter of course. The Iran-contra scandal is a matter of course.

Unlike Colonel North, I refused to plead the Fifth Amendment when testifying for several days before the Senate Intelligence Oversight Committee. I refused to plead the Fifth Amendment when testifying for several days before the Senate Intelligence Oversight Committee. I refused to plead the Fifth Amendment when testifying for several days before the Senate Intelligence Oversight Committee.

The fund does not in policy or practice, support abortion anywhere. Conscience is at odds with the principles and purposes of United Nations family planning efforts. The fund is explicitly charged with helping countries provide the information and means for every individual and couple to decide freely on the number and spacing of children.

The fund's assistance to China has included technical support for its

Opinion

When you are managing information that inevitably is going to come to light, you take the "what if" question into account.

A Chinese water torture that is eroding his popularity and power. He must halt the slide. He must halt the slide. He must halt the slide. He must halt the slide. He must halt the slide.

The country must always come first. It is time for them — or anyone else still in the administration — to know about this affair. It is time for them — or anyone else still in the administration — to know about this affair. It is time for them — or anyone else still in the administration — to know about this affair.

From a letter to The Washington Post by Bob Dole, the Kansas Republican and leader of the outgoing Senate majority.

What happens in the current investigation, Colonel North is not likely to be viewed with pride by other Marines. I note this as a former Marine Corps officer. The Marines are not likely to forgive if he ever goes back into the ranks. While his questionable activities were conducted in civilian clothes, he chose to testify before the House Foreign Affairs Committee in full uniform. Pleading the Fifth Amendment and transparent appeals for sympathy were tactics of self-defense.

If it turns out that Iran helped finance the 1983 bombing of the marine barracks in Beirut, there would be no question of his going back into the ranks. He would be a disgrace. He would be a disgrace. He would be a disgrace.

Obviously, there are differences between what Colonel North was doing and what we did in the scope of their activities. And while our people in Angola were less than brilliant, we were professionals at the time. We were professionals at the time. We were professionals at the time.

General Jaruzelski's "Socialist Revolution" is a book that is a masterpiece of propaganda. It is a masterpiece of propaganda. It is a masterpiece of propaganda. It is a masterpiece of propaganda. It is a masterpiece of propaganda.

In both instances, the leadership crisis in the Soviet Union is a crisis. It is a crisis. It is a crisis. It is a crisis. It is a crisis. It is a crisis. It is a crisis. It is a crisis. It is a crisis.

It is likely to leave the general in a political and economic dead end for the foreseeable future. And combination of two of the U.S. actions imposed at the time of the crackdown on Solidarity enables him to try to pin the blame for Poland's economic woes on America.

It is time for the Reagan administration to deprive him of that excuse and leave him to stew in his own juices. By lifting the ban on most-favored-nation trading status and on Export-Import Bank credits, Warsaw hopes that this will open the way to IMF credit that would temporarily relieve some features of the economic morass here.

American vision and support helped launch the United Nations population assistance program 17 years ago. Some of today's controversies will fade, but the need for global efforts to address population problems will never be more urgent or more timely. Population programs can be made more effective with full participation by the United States.

The New York Times

IN OUR PAGES, 75 AND 50 YEARS AGO

1911: Chinese Republic

SHANGHAI — After a conference between the revolutionary leaders (on Dec. 14), a republican government was declared and will be proclaimed. Dr. Sun-Yat-sen, President and Nanking as the capital. It was decided that, as there are no prospects of peace at the coming conference in Shanghai, the Chinese Republic will be proclaimed. It was decided that, as there are no prospects of peace at the coming conference in Shanghai, the Chinese Republic will be proclaimed.

PARIS — (AP) — French official says: "China has resolved to proclaim a republic. Real republics are not created in such summary fashion."

1936: Chang's Terms

SHANGHAI — Replying to Marshal Chiang Kai-shek's revolt and the fact that Nanking government (on Nov. 14) concentrated considerable force with orders to march on Shanghai, center of the insurrection, if Chang's terms are to be accepted, General Ho Ying-ching, the Nationalist Minister of War, telegraphed Chang telling him that no negotiations can be engaged until Chang's terms are accepted. Chang said that the terms were subject to Nanking approval of eight conditions, among them: cessation of the Red Army; disarmament of the Red Army; disarmament of the Red Army; disarmament of the Red Army; disarmament of the Red Army.

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Jaruzelski

Criticizes

The People

By Jim Hoagland

WARSAW — Two mountain climbers, the summit of the highest peak in Poland when one slips and falls off. After a long, head-filled push, the climber slips and falls down into the chasm. "Are you still alive?" "Yes, I'm still alive," "but I'm still falling."

So it is with Poland at the end of the fifth year of the "soft" dictatorship of Wojciech Jaruzelski. The spirit of the revolution that gave birth to the Solidarity union movement lives on in an active and potent underground, but Eastern Europe's most vital national force is falling. Its policies are mired in its own past.

Despite the spirit-crushing imposition of martial law, the Solidarity movement has not been crushed. It has not been crushed. It has not been crushed. It has not been crushed. It has not been crushed.

Many Polish intellectuals act to do things which Jaruzelski does not want. They do things which Jaruzelski does not want. They do things which Jaruzelski does not want. They do things which Jaruzelski does not want. They do things which Jaruzelski does not want.

General Jaruzelski's tactic of silencing the voice of political activists with armies has left him an ambiguous figure on the map. He continues to stir debate over whether he is a Polish patriot acting to prevent a bloody Soviet invasion or a Soviet stooge in Moscow's cloak.

As the stateless despots and his on-again, off-again messianic proficiencies, the map is growing. He is a messianic figure. He is a messianic figure. He is a messianic figure. He is a messianic figure. He is a messianic figure.

A senior Jaruzelski aide told me that the Polish leader had been in the United States. He had been in the United States. He had been in the United States. He had been in the United States. He had been in the United States.

The Jaruzelski administration is a mess. It is a mess. It is a mess. It is a mess. It is a mess. It is a mess. It is a mess. It is a mess. It is a mess.

It is likely to leave the general in a political and economic dead end for the foreseeable future. And combination of two of the U.S. actions imposed at the time of the crackdown on Solidarity enables him to try to pin the blame for Poland's economic woes on America.

It is time for the Reagan administration to deprive him of that excuse and leave him to stew in his own juices. By lifting the ban on most-favored-nation trading status and on Export-Import Bank credits, Warsaw hopes that this will open the way to IMF credit that would temporarily relieve some features of the economic morass here.

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Prices may vary according to market conditions and other factors.

Straight Bonds U.S. Dollars

Security	Yield	Price	Yield	Price	Yield	Price	Yield	Price	Yield	Price
AUSTRALIA										
100% Govt	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00
100% Govt	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00
AUSTRIA										
100% Govt	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00
100% Govt	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00
BELGIUM										
100% Govt	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00
100% Govt	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00
CANADA										
100% Govt	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00
100% Govt	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00
FRANCE										
100% Govt	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00
100% Govt	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00
GERMANY										
100% Govt	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00
100% Govt	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00
ITALY										
100% Govt	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00
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JAPAN										
100% Govt	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00
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NETHERLANDS										
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NORWAY										
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PORTUGAL										
100% Govt	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00
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SPAIN										
100% Govt	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00
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SWITZERLAND										
100% Govt	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00
100% Govt	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00
UNITED STATES										
100% Govt	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00
100% Govt	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00	10.00	100.00

DEUTSCHE MARKS									
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NORWAY									
PORTUGAL									
SPAIN									
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UNITED STATES									

FOREIGN TARGETED BONDS OF THE U.S. GOVERNMENT									
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JAPAN									
NETHERLANDS									
NEW ZEALAND									
NORWAY									
PORTUGAL									
SPAIN									
SWITZERLAND									
UNITED STATES									

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SAUDI ARABIA

SHAPING UP FOR THE FUTURE

There is much greater confidence in Saudi Arabia now, compared to a year or even six months ago. The economic storm clouds have passed — in at least one opinion. Some observers believe simply that the Saudis have learned to live with their recession. However, this belief is countered by a growing opinion that the recession has bottomed out.

Certainly that was the message being drummed home to British businessmen during the mammoth British sales jamboree, linked to the November visit to the kingdom by the Prince and Princess of Wales. The event, Saudi and British observers agreed, was the biggest public relations exercise ever run in Saudi Arabia. Saudi officials and businessmen, including top-level ministers, agreed that any business that can survive the next 15 months or so "will benefit enormously."

This optimism is linked to the July oil price rise. "The fact that OPEC could turn the situation around, and reverse what until then was a seemingly inevitable decline, had a tremendous psychological effect in Saudi Arabia," said an expatriate businessman in Jeddah.

Naturally, there were some casualties during the recession. The overriding economic theme this past year has been one of cuts — in manpower and wages in both the public and private sectors, and in imports. In the case of the latter, Japanese companies have suffered because they held the largest share of the market.

Certainly many British companies are optimistic. More than 170 of them lined up to take part in the British Trade Fair in Jeddah last month. But then, Britain's share of the Saudi market has expanded at the expense of the Japanese and Germans. Though this is largely due to the weak pound, it is nevertheless a strong indication that the Saudis, far from simply cutting back on their purchases, are at present shopping wisely instead.

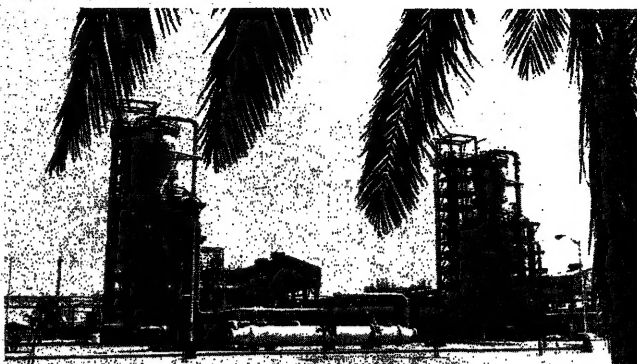
Emerging optimism. One reason for optimism is that Saudi Arabia has weathered the oil price storm better than any other producer. In the first six months of 1986, the kingdom was earning an average of US \$53 million a day in oil exports. That was only 10 percent down on daily earnings for the same period in 1985. In comparison, the UAE was 50 percent down, Iran 42 percent down, Nigeria 45 percent down, and Algeria 45 percent down.

Determined to maintain their share of the world market, the Saudi authorities managed this feat by boosting production to offset the decline in price. Since the price rise in July, production has been allowed to slip to around the 4.3-million-barrel/day mark at present, for daily earnings of around \$50 million. In August, sales were believed to be worth \$77 million a day.

Another reason for confidence is, King Fahd has several times emphasized, that the recession came at the very time when Saudi Arabia had already made its major investments and achieved many of its goals. Most of the kingdom's industrial projects have already been completed. The roads, the airports, the ports, the housing projects and the industrial cities of Jubail and Yanbu have already been built. So, too, have the first generation of heavy industrial projects designed to reduce economic dependence on oil.

This year marked the official end to the Saudi Basic Industries Corporation's (SABIC) first development phase, in which \$10 billion has been invested in ten major industrial projects, producing petrochemicals, fertilizers, plastics and metals. All are now being realized, working at full capacity with a combined output of 7.2 million tons. Indeed, even that figure may be an underestimation. SABIC officials recently reported that certain plants are producing in excess of their nominal full capacity.

A further reason for optimism is the enormous scale of



The KEMVA Petrochemical Company is located in the industrial city of Jubail.

Saudi investments abroad, which have helped cushion both budget and private sector spending. The figure has been estimated at \$200 billion, divided equally between government and the private sector. Long-term deposits can effectively be ignored as far as the immediate future is concerned but, even so, government revenue cannot be less than \$10 billion annually, exactly enough to underwrite this year's budget deficit.

"The year of stability," the next budget is due to be announced Dec. 21. A figure of between \$35 and \$40 billion is rumored, about what was spent last year. Although Saudi budgets are invariably underpinned, that is by no means an insignificant figure. Moreover, if the oil market remains steady, Saudi Arabia could well earn about \$24 billion in oil sales in 1987, enough to help balance the budget.

Certainly 1987 is being talked about by Saudi businessmen as the year of stability. In keeping with the 1985-90 Fourth 5-year Development Plan, unveiled 21 months ago, the objective of the next budget will be the development of secondary industrial projects. These are to be energy- and capital-intensive, rather than labor-intensive, emphasizing further expansion of the private sector.

It can be said that Saudi enthusiasm for privatization is matched only by that of Margaret Thatcher and Jacques Chirac. SABIC is already 30-percent private-sector owned, and the government plans to sell other state-owned operations, particularly public utilities. It was no coincidence that there was extremely strong government backing for the creation last year of the Joint-stock National Industrialization Company (NIC), and, just recently, for the Saudi Advanced Industries Company (SAIC), which is being set up to participate in the Boeing Peace Shield Offset program.

An indication of how favorably the authorities regard the private sector is the fact that about \$10 billion has been earmarked within the period of the plan to back 14,000 private sector projects. But, as officials at the Ministry of Industry and Electricity point out, the key word today is "viable." "We are trying to encourage the private sector to invest, especially in downstream petrochemical projects," a senior Ministry spokesman explained, "but in view of the

present economic climate, those projects must be viable."

Although five-year plans tend to be general statements of intent rather than blueprints to be followed in detail, there is no reason to believe that the Saudi authorities will depart from the broad objectives laid down in the current plan.

It can be assumed that every effort will be made to achieve a real annual economic growth of four percent over the next four years, with GNP reaching \$95 billion by 1990. The authorities will continue with their Saudi-ization program, reducing the immigrant workforce by some 600,000 by 1990, but at the same time creating 375,000 jobs for Saudi workers.

For its part, Sabic intends to pump \$4 billion into new downstream projects in the next four years, as part of its second phase of development. Most of these will be export-oriented, which will further decrease Saudi Arabia's dependence on oil and therefore on the vagaries of the oil market. For the next few years, however, the Saudis can be expected to continue to dominate that market, pursuing the twin objectives of gradually pushing up prices while maintaining their market share.

End of the boom. Driving down the Medina Road, one of the main thoroughfares of Jeddah, or along the Airport Road in Riyadh, one could be forgiven for wondering what all the fuss is about. The image is of a thriving, bustling economy. Instead of talking about a recession, it might be more intelligent to talk about normalization.

The Saudi economy has come down to earth; it may have been a turbulent descent as far as the banks are concerned, but there has been no crash. As most Western companies operating in the kingdom constantly proclaim, the boom is over. The huge returns of 50 percent or 75 percent are no longer there. But for those who are prepared to be more competitive, business is still good. Saudi Arabia may no longer be fabulously wealthy, but it is still enormously rich and there are still a lot of developments taking place or planned. Returns of 15 to 20 percent, which would be considered excellent anywhere else in the world, are the norm. For most foreign companies, that means that Saudi Arabia is still a good market.

Saudi Oil Faces Vital Challenges

Saudi Arabia's primacy in OPEC affairs has been reaffirmed by its call last month for oil prices to rise to \$18 a barrel and a suggestion that it would be seeking a new OPEC production quota from the beginning of 1987. For the time being, however, it will stick to OPEC decisions concerning production quotas.

The new Petroleum Minister is Hisham Nazer, a 54-year-old UCLA graduate who served as deputy petroleum minister in the 1960s. He has been responsible for Saudi Arabia's last two development plans.

This year's oil revenues are expected to total about US \$20 billion, which is 20 percent of the total of only five years ago. Production is running at 4.35 million barrels/day (b/d), the OPEC quota for the kingdom, but the price is currently only around \$14 a barrel. Uncertainty about the setting of oil prices was the reason the Saudi 1986 fiscal year budget was twice postponed, in March and then in August.

The importance of oil to Saudi Arabia cannot be over-emphasized. However, it is important to note that the country would have a strong profile even if there was no oil wealth, because of the annual pilgrimage to the holy cities of Medina and Mecca.

There have been many challenges to Saudi oil policy in the past 18 months. In June 1985 the Supreme Petroleum Council decided to abandon the kingdom's former role as swing producer within OPEC. Riyadh had come to the realization that it could not continue to forever defend an official price of \$28 a barrel, unless it was prepared to see its own exports dry up altogether. Pressure may also have come from the four partners in Aramco, Saudi Arabia's oil-producing conglomerate — Mobil, Chevron, Exxon and Texaco.

Yet the tangible result of the talks with Aramco partners was the so-called netback deal. This works by taking a predetermined mix of products in the marketplace, according to published statistics 40 or 50 days after the crude is lifted, and aggregating them on a weighted basis to give a value for that crude.

Following his appointment as oil minister, Nazer called for an immediate meeting of the OPEC pricing committee to consider fixing prices at \$18 a barrel. A meeting the following week of the Gulf Co-operation Council (GCC) members in Abu Dhabi, which involved three other OPEC states, avoided the issue by saying oil pricing was an OPEC affair.

With oil demand growing at only two percent a year, and production outside OPEC still rising (even neighboring North Yemen is due to start exporting oil soon), there are few prospects for increased OPEC output in 1987.

Oil prices and their defense are crucial for Saudi Arabia, whose investment income on foreign assets is only approximately \$8 billion a year. Many of those foreign assets are liquid, although private holdings are not included in what is officially known as state reserves.

An oil price in 1987 of \$18/barrel would give Saudi Arabia a revenue of some \$25 billion for the year, but some analysts believe even the Supreme Petroleum Council thinks \$18 more of a target than a realistic goal.

Aramco produces more than 90 percent of the kingdom's crude oil and almost all its usable natural gas. The company also markets most of Saudi Arabia's crude and natural gas.

(Continued on Next Page)

A SIGN OF THE TIMES FOR QUALITY WIRES AND CABLES IN MODERN SAUDI ARABIA.

Saudi Cable Company is well known for its pioneering role in the field of electric cables and wires production in the Middle East. Since its inception in 1976 it has played a vital role in the economic and industrial development of the Kingdom of Saudi Arabia. During the last 10 years the company has recorded a steady growth in many areas.

Sales capacity reached up to 1 billion Saudi Riyals per annum. Fixed assets grew from SR.50 million to SR.400 million. Its production output rose from

25,000 mt to 45,000 mt. The only copper rod mill in the Middle East with a capacity of 55,000 mt., assures clean copper rod for its cable plant.

Other units, like the PVC compounding plant and the wooden reel plant, help successful backward integration of raw materials in manufacturing cables. Now, after a decade of successful services, the company is poised to branch out into telecommunications cables and accessories, electronics, high voltage cables and fibre optics.

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Saudi Oil

(Continued From First Page)

(NGL), and operates the largest gas collection system in the world to provide gas feedstock for the kingdom's newly built world-scale petrochemical industry.

In one sense, setback deals have proved popular since they offer security of supply. In the past few weeks, two Japanese buyers, Mitsubishi Corp. and Kyodo Oil Co., have decided to extend direct oil contracts after November and boost imports by 20,000 to 50,000 b/d.

Of total production, about 300,000 b/d is being stored by the state oil sales agency Norbec. Roughly 200,000 b/d, the kingdom's share of the output from the Divided Zone, goes to Iraq, and 60,000 b/d from the Abu Safa field goes to Bahrain. This is in line with the long-standing production sharing arrangement between the two neighbors. Aramco has selected oil buyers warning them that the availability of crude at the Red Sea port of Yanbu will be extremely limited in December. This is because of multiple-pumping unit shutdowns on the east-west pipeline that transports oil



The Petromin Lubricating Oil Refining Company.

from the Eastern Province fields. Aramco notes that full pipeline capacity will be restored in January.

In the meantime, it has asked customers to lift crude from the Gulf port of Ras Tanura. Sales of Iraqi oil through the east-west pipeline are running at some 400,000 b/d, with plans to expand the capacity of the line to 3.2 million b/d from 1.85 million b/d.

Aramco is an important element in the local economy, being among other things the Middle East's largest single employer. In the past, it was the largest computer hardware purchaser in the Middle East. Saudi-ization has always been a priority at Aramco. President Ali Naumi said it is in the forefront of the kingdom's drive to develop "an indigenous technological society."

In the downstream industries, Saudi Arabia has the capacity to refine about 2 million b/d of crude, of which almost half satisfies local demand. Petromin, the state agency which handles oil projects, said there are no plans to expand the capacity of the current refineries, but in the current development plan (1986-90) a 325,000-b/d export refinery at Rabigh on the Red Sea is due for completion.

One factor which no longer affects Saudi oil policy is the domestic need for gas as a feedstock, and as fuel for the kingdom's industry and power stations. Reserves of non-associated gas have been tapped to compensate for any shortfall of associated gas caused by production changes in the crude oil sector.

—John Lane

Private Money Hits Big-Time Business

Saudi Arabia's economy might best be described as state-led capitalism. Without the lead taken by the government in laying down the kingdom's development

traces, the private sector's rolling stock would have gone nowhere. Even with its enormous potential (it has an estimated US \$100 billion invested abroad), the task of building the Saudi infrastructure and establishing primary petroleum and petrochemical industries was far beyond the private sector's capacity.

Saudi private capital has, until recently, played only a supporting role in the kingdom's development. It was channeled into service industries, real estate, banking, construction, import/export and light- and medium-scale industries.

Unfortunately, because of the particularly close relationship between public and private sector, the downturn caused by the drop in oil prices has affected both with equal force.

Within the private sector, the recession chill has hit three areas with particular effect — construction, banking and real estate — and especially the latter.

But recession in two or three areas is more than counterbalanced by growth

in others. Maintenance is a prime example.

With billions invested in the Saudi infrastructure, operations and maintenance is now undoubtedly the biggest growth area in the economy. The market is estimated to be worth around US \$12 billion a year. Hospital maintenance is one notable area; so too, is city cleaning. Private Saudi companies like Al-Khodari, which currently has the maintenance contract for the Dammam area of Al Mawardi, now have the lion's share of these contracts.

However, the government's aim is to elevate the private sector beyond the level of service industries. The object behind the industrial cities of Jubail and Yanbu as well as the SABIC petrochemical projects, was the creation of an infrastructure to enable large-scale private industries to develop.

But NIC is the private sector giant. Backed by 121 major Saudi businessmen as well as the Saudi banks and other local companies, who together own 25 percent of the corporation (the other 75 percent is owned by over 70,000 private Saudi investors), NIC's objective has been to move into the heavy industrial sector. That objective has been more than fulfilled.

Today, NIC's portfolio includes holdings in a wide range of medium to heavy industries, including SABIC's Ibn Hayyan plastics plant at Jubail, which started production in October, the Bahrain-based Process Control International, the Saudi Pharmaceuticals & Medical Appliances Corp., the Arabian Asic Manufacturing Co., the Saudi Co. for Refractories, and Aslak, a company producing nails, wire fencing, rivets and similar steel products at Jubail. The last three companies were initiated by NIC.

NIC has also extended its activities into the growing operations and maintenance sector, in this case industrial maintenance, by setting up and taking a 40-percent stake in the National Industries Services Co. (NISC).

The idea behind NISC, basically an umbrella company, is that it sets up several specialist maintenance operations, each as a joint venture with a foreign firm. The first is the National Technical Inspection & Testing Co., a joint venture between NISC (55 percent) and West Germany's Rheinische-Westfälische Technische Überwachungsverein (45 percent). Other maintenance and servicing companies are set up for the refining, petrochemical and chemical, ce-

ment, electricity and desalination industries.

NIC also has a 15-percent share in one of the Peace Shield Offshore Program projects. The program is being organized by the Boeing Industrial Technology Group, a subsidiary set up in Saudi Arabia by the Boeing-led consortium, which in 1985 won a \$1.2 billion slice of the overall \$4.3 billion Peace Shield program. Under the deal, the consortium agreed to reinvest \$300 million, or 35 percent of the technical content of the contract value, in nine proposed high-tech projects.

Offset, as the system is called, is regarded by the Saudis as one of the best means to transform their country into a high-tech manufacturing center for the entire Middle East. The \$7.5-billion Tornado aircraft deal with Britain is also subject to an offset clause, and negotiations are still taking place between the Saudi Offshore Committee and the British on potential projects.

In the case of the Boeing projects, there has been some delay, primarily because of problems relating to the funding organization. Under the offset principle, the shareholding in each project is to be divided equally between the foreign company, in this case BITG, and local Saudi investors. So far just one project has gotten off the ground in terms

of total financing: the aerospace center, where NIC has its 15-percent stake. Saudi, the state utility, is taking 50-percent and the Gulf Investment Corporation the remaining 35 percent.

Although NIC, reliably can be expected to invest in other BITG offset projects, the delays in getting them off the ground may well be partially resolved by the arrival of the Saudi Advanced Industries Co. SAIC was formed specifically this autumn to participate in the Peace Shield Offshore Program.

The fact is that Saudi investors, much as they want to invest in their own country's development, are being extremely cautious at the moment. Like the government, they demand proof of viability before putting their hands in their pockets.

As the Ministry of Industry and Electricity points out, there are now 150 private sector downstream plants in operation, using feedstocks from the primary plants. Another 122 have been licensed, with a further 68 given preliminary approval. The decision in November by SABIC to sell a quarter of its holding in the Ibn Hayyan plastics plant to the private sector is yet another indication of the increasing partnership between the public and private sector.

—Michael Dalmack

Increased Exports as Saudi Cable Branches Out

Earlier this summer, the Jeddah-based Saudi Cable Company (SCC) began shipping its largest order ever — a \$30-million contract to provide Iraq's State Company for Wires and Cables with 15,000 tons of copper rod.

In a quiet way, it has been an eventful year for SCC. The 55,000-ton/year copper rod factory alone cost SR 150 million (US \$41 mil-

lion). By coincidence or design, this was the exact amount raised by SCC in one of the first revolving underwriting facilities (RUFs) in the kingdom. The notes were underwritten by Riyadh Bank and Al Bank al Saudi al Fanni, which were subsequently placed with a group of private investors. Major partners in SCC include Xenel Industries, Standard Oil of California and NKF Group B.V., a wholly owned subsidiary of Philips of Holland.

SCC executive president Omar Khalifa, a graduate of New York's Columbia University, sees the company's future in an international context. He is backed up by his chairman, Khaled Alireza, who studied industrial engineering at the University of California at Berkeley. Alireza talks enthusiastically of Saudi Arabia, "with its well-developed infrastructure," becoming the industrial center for the surrounding region.

Although only recently inaugurated, SCC's copper rod plant, in fact, has been operating since mid-1985. Already 30 percent of its output is exported. Apart from Iraq, its main markets are Turkey, Greece, Pakistan, Jordan, Japan and the UAE.

As Saudi Arabia's own industry becomes more developed, SCC will be able to call increasingly on less-expensive local raw materials for its products. Until recently, some of its copper rods were imported from

Australia, its PVC from Europe and its wood from Norway.

Demonstrating its intention to operate as a regional industry, earlier this year SCC increased its stake in Bahrain's thriving Cable Cable Company. SCC initially acquired a 29-percent share in Midal in 1982. It increased this to 36 percent in 1984 before exercising its option to raise it to 50 percent in April 1986.

Midil uses aluminum from the local Aluminum Bahrain (Alba) to make electrical rods and conductors — a useful complement to SCC's plant in Jeddah. SCC has said it wants to upgrade Midil's factory to manufacture aluminum alloy cables.

Last year, SCC led a group of Saudi investors who took a 70-percent share in Demir Kablo, a Turkish company producing 3,400 tons of low- and medium-tension cables a year at a plant in Bozuyuk, 250 kilometers south of Istanbul.

SCC spokesman Hani Taibah speaks confidently of a period of expansion. On the local market, SCC hopes to become a manufacturer of telecommunications equipment. It plans to build a telephone cable plant — its first move out of the electrical cable field in which it is established. There has been talk of involvement in additional telecommunications and electrical component projects as part of the Peace Shield offset scheme. Plans include setting up an SCC

factory to produce switching gear and transformers.

It appears that these ambitions were held in check while SCC restructured its shareholding, ensuring its continued long-term financial viability. However, the portents are good. Despite the downturn in the local economy, SCC's export-oriented policy has paid off. Sales in 1985 were up 27 percent over the previous year, to SR 525 million (\$140 million).

One of SCC's current priorities is training its 1,000 employees. Company executives talk of a day in the not-so-distant future when the expatriates who still make up the majority of the workforce return home. Saudis are being trained to take their places.

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Banks Tighten Belts but Broaden Services



Banks in Saudi Arabia are setting up new systems of automation and check clearing.

The Saudi banking system ultimately will benefit from the shakedown in the private sector which is the main consequence of the current recession.

If government action, within OPEC, results in a stabilization of the oil price, greater confidence will return, and few countries and international companies will want to miss out. A major benefit of the years of infrastructure building has been a huge increase in the number of Saudis who have gained an education in financial skills and other professional disciplines, and these skills are beginning to pay off.

On the practical side, automation of the check-clearing system is to be in full swing soon, with the Riyadh region first in line. The new system is similar to those in the U.S. and Europe, and should cut lead time on clearance to four or five days. As more Saudi citi-

zens get the banking habit, some of the old fears about defaults on loans and worries about collateral should fade.

Riyadh Bank is bidding to lead share trading in the kingdom's stock market by setting up a research unit to provide financial information about the kingdom's 58 publicly traded joint stock companies. It will offer its share-trading service through 38 branches countrywide. A number of Saudiized banks also participated in a recent syndicated loan for Jubail's Baschem Petrochemical Co. (SHARQ), proving their commitment to aid the Kingdom's industrialization program (a point often raised by ministers as an issue of concern). Among the banks in the Jubail deal were Saudi al Fanni and Samba as co-lead managers.

The current picture of consolidation within the banking system perhaps explains why the central bank,

the Saudi Arabian Monetary Agency (SAMA), is determined that no bank will collapse. The agency has been placing deposits with the weaker banks to help them over what is hoped will be a temporary shortfall in liquidity.

Saudi bank results so far this year have been in sharp contrast to the position only a few years ago, when they were collectively the most profitable in the world. For the first three-quarters of 1986, for example, net profits at the Riyadh-based Arab National Bank, at \$30.8 million, were 20 percent less than for the same period the previous year. The decline stemmed from a 65-percent increase in provisions.

The major opportunity for the Saudi banks appears to be in profitable expansion abroad. In October 1985, the National Commercial Bank broke into a new market by opening a representative of-

fice in Tokyo. NCB is the Kingdom's largest bank, with 166 branches throughout Saudi Arabia. Total assets in 1985 reached SR 55.4 billion (US \$14.8 billion). Customer deposits were also marginally down at SR 43.6 billion (\$11.9 billion). The situation can be attributed to reduced government spending and slower growth in credit.

Although the return on assets at NCB is lower than it was in the early 1980s, it still remains very reasonable as compared with banks worldwide. Then, last month, the Bank of England granted full licensed-deposit-taker status to NCB of Saudi Arabia. This became effective from early November, with an emphasis on a full range of treasury, foreign exchange and commercial banking services. Samba is expected to follow suit: its application is already in the pipeline.

Saudi British is the seventh-largest of the kingdom's 11 commercial banks, having as its foreign partner the British Bank of the Middle East, a subsidiary of the Hongkong & Shanghai Banking Corp. The new managing director at Saudi British is Clive Morgan, who has recently been in charge of the group's interests in Jordan.

The biggest of the kingdom's joint venture banks, Saudi American Bank (Samba), is cutting its operating expenses by nearly four percent — another sign of the times. There is an even bigger cut at United Saudi Commercial Bank (USCB) — 12 percent — but USCB can take comfort in its strong shareholder base which includes the Saudi International Bank (SIB) and three other institutions.

SIB is the most important externally based Saudi bank, having been established in 1975 in London. In 1985 the bank was reorganized to reflect an important change in business direction. As executive director Peter de Roos described it: "The recent rapid changes in financial markets have revealed new opportunities to develop a broader range of investment banking services for our clients. The decision which involves investments of capital, people and systems will only bear fruit in future years."

The bank is 50 percent owned by SAMA, but aside from its base in London, SIB has interests in 30 countries, with a special emphasis on the Far East and Australasia. SIB has a New York branch and a Tokyo representative office. Less than 20 percent of its total loan portfolio, which in total amounts to more than \$1.7 billion, is in the Middle East, although the bank is also recognized in the marketplace for its expertise in Saudi rial exchange transactions.

— John Lane

Hoshanco Branches Out in Business Sector

Hoshanco, a diversified Saudi corporation, is looking for new niches in what appears to be relatively mature sectors: agriculture, business machines and construction.

Let by Group president Ahmed Al-Hoshan, the firm is taking advantage of a slowdown in construction activity to develop new expertise, push new business machines and printing materials, and perform advanced agricultural research.

This fits with Al-Hoshan's desire to position Hoshanco for growth in a slower marketplace in the kingdom. Searching for niches is not a new approach, however; Al-Hoshan founded his company by looking for a business opportunity and then taking advantage of it.

Al-Hoshan grew up as the son of a trading family based in Medina, in the western province. He was educated in Saudi Arabia and Britain. "We started in construction in 1961," he said recently. "At that time it was small construction work and we already had a small tile factory at that time. Our progress was parallel to the progress of the economy here."

Diversification, he said, occurred naturally. In 1972, before the oil boom took off, he noticed that only one major trading group was dealing in printing supplies or machinery, and saw this area as a major opportunity. After attending trade fairs and meeting representatives of several firms, Al-Hoshan established his company, moving to Riyadh to be near the seat of the government. He said: "I realized the potential of this market, and the largest customer is the government." In fact, the Saudi government accounts for over 90 percent of all business in printing products and copiers.

Hoshanco picked up agencies for several large firms, including AM International, 3M, Harris Graphics (printing press manufacturers), Gillette Office supplies, Minolta copiers, Hirsch business machines, Sharp business machines and Permet writing instruments.

The company's graphic arts division became the largest in the Middle East, because of the kingdom's large market for printing and printed materials.

The Hoshanco construction division was classified as a first category firm. The company completed the King Khalid military Academy for the Saudi National Guard, a housing project for the Ministry of Defense and Aviation (MODA) on Airport Road in Riyadh. It has also completed a housing project for the Saudi Consolidated Electric Company (SCECO) in Najran, and is now completing the new headquarters of the Ministry of Commerce.

Now that the construction sector has slowed down, Hoshanco's expertise in consulting, design, and completing projects are earning it a niche in finishing projects.

Hoshanco is positioning new products in the field of office automation. The bulk of the SR500-million-per-year Saudi business machine market consists of computers and copiers. Hoshanco's research and development department has been working with its suppliers to bring new machines on the market.

Hoshanco is also investing in agricultural research. The company owns its own farm, on which it grows tomatoes, cucumbers, lettuce, eggplants, squash, beans and melons. It has 65,000 square meters in "greenhouse" tunnels, and 25,000 square meters in fully equipped greenhouses.

Hoshanco is one of 150 farmers and companies who formed a marketing company capitalized at SR37.5 million. Asma Al-Hoshan, vice president of Hoshanco, said the new firm will try to set vegetable and fruit quality standards, and negotiate on behalf of all the members of the company for wholesale prices in the souks and with the nation's supermarkets.

Hoshanco itself is working on some important research projects. One important project is growing date palm tissue cultures for the Ministry of Agriculture and Water.

Date palms are slow-growing trees, which can grow up either male or female if raised from seeds. No farmer wants to waste a decade growing a non-fruit-bearing male, so offshoots from female trees are generally used. However, each date palm sends out just four or five offshoots.

The much-more-efficient tissue culture process "clones" date palms — producing thousands of genetically identical plants from one tree. This will reduce new tree costs from SR1,000 (US \$280) an offshoot to a few dollars for a new plant.

The other major field of Hoshanco research is hydroponics, the scientific cultivation of plants using nutrient baths instead of soil. So far, this technically demanding method for raising crops is producing good yields for Hoshanco.

Hoshanco is also involved in all types of insurance, and is developing a health insurance concept for the kingdom. In this, and other ways, the company is growing; it is working to insure that it will continue operations profitably in Saudi Arabia's competitive business environment.

— Doug Graham

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How to Counter Oil Dependency? Diversify

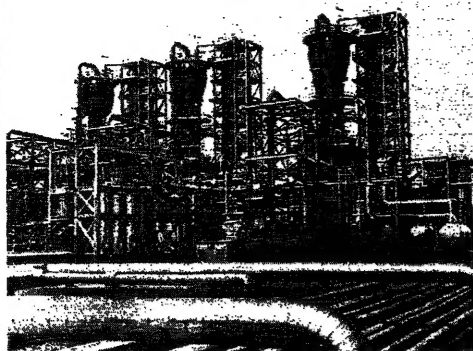
Saudi plans to break away from its dependence on oil came of age this year. All of the major first-generation industrial projects ordered by the state-owned Saudi Basic Industries Corp. (SABIC) have been completed, and all are running at full capacity.

The economic philosophy behind Sabic's program, which has cost US \$10 billion so far, is that by building world-scale primary industries, producing petrochemicals, fertilizers and steel, Sabic can provide the raw materials needed by private and public sector downstream companies. The equation is simple: without primary industries, there will be no widespread industrial development, and out that, there will be no move away from dependence on oil.

Most of the projects have been developed on a joint-venture basis with major international companies such as Exxon, Mitsubishi and Mobil, and most have been located at the Gulf coast industrial city of Jubail. As before an oil and gas-producing nation, all are either energy-intensive, like the Hadramout integrated steel complex at Jubail, or use natural gas (either methane or ethane) as their feedstock.

The current objective at Jubail or Yanbu, the two cities developed especially to house the country's industrial activities, is to develop the downstream plants. In this case, downstream does not necessarily mean smaller. Sabic alone plans a \$4-billion investment on its second-phase projects. The first, the \$400-million Ibn Hayyan plastic plant at Jubail, started production of PVC and VCM (vinyl chloride monomer) in October 1986.

Other second-generation projects planned at Jubail include the Ibn Sa'ud plant owned by the Saudi Europe-



The Saudi Yanbu Chemical Co. (YANPET) is a joint venture between SABIC and Mobil Oil Corp.

an Petrochemical Company (70-percent Sabic-owned), and the Ibn al-Baytar facility, producing ammonia. The plant involved in the latter, the National Chemical Fertilizer Co., is a partnership between Sabic and a Sabic affiliate, Sefco, which has been producing urea and sulphuric acid in Dammam since 1970.

In both Jubail and Yanbu, which for centuries acted as seaports for pilgrims to Medina and which today are connected by a 1,200-km pipeline to the eastern oil fields, the government has also established what are called Secondary Industrial Parks. The object is to provide sites for factories which produce feedstocks to supply either primary or secondary industries. In short, the government agency concerned, the Royal Commission for Jubail and Yanbu, aims to create a fully integrated industrial structure in each city.

The theory is already becoming reality. In Yanbu, where the prime petrochem-

ical plant is Sabic's and Mobil's joint-venture Yanpet plant, four other primary industries are now operational, plus an additional 19 private-sector light industries based in the industrial park. Jubail, the larger of the two cities, has 11 primary industries and over 60 support and light manufacturing industries in operation, from print works to wood yards, frozen food to cement pipes.

The 1,144-hectare industrial park in Jubail is like one large building site. New factories are constantly being built. Projects soon to locate there include a 10,000-ton/year iron and steel foundry, a 3,000-ton/year polyether polyol plant, and a 12,000-ton/year fiberglass factory.

The latter is interesting in that it provides evidence of foreign private sector confidence in Saudi Arabia's industrial potential. The company involved, the United Gulf Co. for Fiberglass, is a fully private sector concern in which almost half the shareholders are non-Saudi

Arabs. However, since the local market alone for fiberglass is estimated at between 16,000 and 18,000 tons, their confidence is based on sound business sense.

Other likely projects at Jubail include a second polyether polyol plant, a polyvinyl chloride compounding plant and a solvent refinery.

Clearly, this enormous petrochemical-linked industrial growth depends for its success on the Saudis being able to market the goods. A considerable proportion is marketed locally or regionally; domestic sales account for about 30 percent of SABIC output.

Although the drop in world petrochemical prices probably will mean that profits for the whole of 1986 may be little more than those for the whole of 1985 (\$41 million), signs indicate that sales will be in the region of \$900 million, placing Saudi Arabia among the world's top producers of petrochemicals and plastics. Chemical Insight, an industry newsletter published in Britain, reported in August that Sabic was the industry's number-two performer worldwide last year in terms of increased profits and margin, and that it ranked fourth in terms of increased sales. There is admiration, too, within the trade for the way the Saudis operated without causing too much disruption in what is generally accepted as an over-capacity market.

The main problem is that

in the wake of the oil price drop, the cost of producing petrochemicals in Europe (the prime center of overcapacity) has dropped drastically. European ethylene may still be marginally expensive than its Saudi Arabian counterpart, but now it is only twice as expensive. Even that advantage can be wiped out by the transport costs. Shipping ethylene, for example, is enormously expensive at around \$80 to \$100 a ton from Saudi to Europe. Moreover, there is fresh competition from the British in the form of the new Shell/Basf Mossburn complex near Edinburgh, producing substantial quantities from North Sea gas feedstocks.

The Saudi attitude is that the revived competitiveness of Europe's naphthalene petrochemical plants will be short-lived. In the meantime, they are concentrating attention on the Far East, particularly as far as PVC and VCM products from the new Ibn Hayyan plant are concerned. "As the economic boom in the Far East continues," said Abdullah E. Nojaidi, president of Sabic marketing, "there is a trend there to go as far 'downstream' as possible." It is, he continued, far more cost-effective for manufacturers in Taiwan and Korea to invest in downstream projects than in upstream feedstock supplies, as it allows them to take advantage of their own real natural resource — their vast workforces.

The Far East will remain a major consumer of Saudi petrochemicals. Nonetheless, Sabic is very much concerned with the growing needs of the local and regional market. Already the Middle East consumes the equivalent of 34 percent of its own petrochemical production. As it becomes more industrialized, it will consume ever-increasing amounts of petrochemicals, "especially ethylene derivatives, such as polyethylene, PVC and polystyrene," said Nojaidi.

"It is this, he said, which explains why a company like Sabic has had far less of an impact on world trade balance than had initially been feared. But Sabic's long-term aim is to supply a larger share of the increasing local and regional demand, although, as Nojaidi explained, "we will continue to market our products worldwide, whenever the need exists."

—Michael Dalmosk

Rapid Growth in Saudi's Twin Cities

The twin industrial cities of Jubail and Yanbu are key elements in Saudi Arabia's ambitions to develop as a major competitor in sales of world petrochemical and refined products. They are also pivotal to the government's plan to transform the private sector from a mercantile into an industrial class.

Said Prince Abdullah Bin-Faisal Bin-Turki al-Saud, secretary-general of the Royal Commission for Jubail and Yanbu: "Saudi citizens are the ultimate beneficiaries of the two cities and our task above all is to see that the vision does not become an illusion."

Since its creation in 1975 to handle first the construction and now the promotion of the industrial zones, the royal commission has pumped more than US \$8 billion of government money into Jubail, and nearly \$1.5 billion into Yanbu. Jubail, on the Gulf coast, is the bigger of the two, with a

role in their development played by the state concern Pecten and the partly privatized Saudi Basic Industries Corporation (SABIC). The royal commission, which played the key role in creating the cities' infrastructure and handling early development planning, wishes gradually to withdraw from active, on-the-ground participation in city management, but will remain active in promoting and marketing the cities, both at home and abroad.

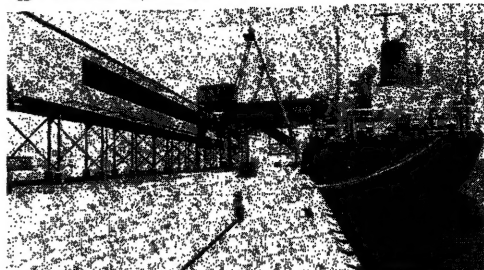
In a conservative society such as Saudi Arabia, the most difficult aspect of public relations can lie in persuading investment from local sources. Foreign support is generally easier to obtain. For the overseas arm of its promotion campaign, the royal commission will rely on direct investors, made millionaires and trade fairs. Within the local sphere, however, the royal commission depends on spokesmen, such as the prince.

aluminum derivatives. Export potential exists to Egypt and the Horn of Africa.

Another plus is the huge investment being made in Saudi Arabia in semi-and land farming. This means the kingdom will absorb increasing quantities of fertilizers and compound foodstuffs, most of which are now imported. In the light industrial sector, Saudi Arabia is in need of synthetic rubber, detergents, fiber and chemicals.

On the upside, Jubail and Yanbu offer the foreign and local investor community facilities which are second to none, including modern medical care, high-quality schools, excellent residential homes and villas and a well-planned infrastructure. Expatriates can find most of the foodstuffs, luxury items and consumer goods they enjoyed at home.

For corporate investors, the royal commission offers long-term land leases at



The 8-mile port complex in Jubail ships products to domestic and industrial markets.

population of more than 30,000 that is likely to experience tremendous expansion — up to 280,000 by the year 2010. Yanbu, with 26,000 now, should likewise swell to 115,000 by 2006. At present, there are 11 primary industries and more than 60 support and light manufacturing plants at Jubail in the Eastern Province.

Over at Yanbu, an old pilgrim port not far from the holy cities of Mecca and Medina, there are five primary industries and 20 private sector light and support industries.

The primary industries of both cities largely involve the production of feedstock, refined products, petrochemicals and steel, with a major

For his part, Prince Abdullah is quick to agree that not enough was done to put Jubail and Yanbu on the map during the boom years of the 1970s. "Perhaps the pressures of the mammoth construction projects took us away from the promotional effort," he said. "I feel that the right time for this effort has only just arrived and we are now working on a long-term and integrated promotional program."

The Jubail and Yanbu cities offer ideal manufacturing bases for newly formed ventures supplying domestic and international markets with products such as petrochemical intermediates and plastics. (Intermediates are the links between the primary petrochemicals and the final product sectors of the economy.) Also, Saudi Arabia is considered to have a ready home market for polymers, particularly in the construction industry, for the home and for educational use.

Other promising potential industries are in downstream steel products, such as wire rod, and copper and

nominal rents, inexpensive and plentiful energy, competitive labor rates (in regional terms) and fully serviced sites with all utilities. The telecommunications systems at the two cities carry telephone, telex and facsimile traffic around the world, through direct dial systems. A modern cable television system broadcasts a variety of programs throughout the day.

In Riyadh, Jeddah and Dammam, planning is well advanced to spend \$300 million developing new industrial sites. It is possible that the Industry & Electricity Ministry will push ahead with this in 1987.

Saudi-ization at the royal commission entered a new era this year. The commission's human resource center is now run by employees of the royal commission. Commented Prince Abdullah: "If you just decide to think that there was nothing but desert at the Jubail and Yanbu sites barely ten years ago, you cannot but marvel at this achievement."

—John Lane

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Counteracting Room Glut, Saudi Hotels Hone Competitive Edges

Less than a decade ago, good hotel rooms in Saudi Arabia were hard to find. Today they are abundant — good news for the tourists, but not necessarily for the hotelier.

Hotel operators in the kingdom find themselves scrambling harder for fewer customers. Rates are declining and emphasis on service is increasing in this competitive environment.

Data compiled in 1986 by the Hotels Department of the Ministry of Commerce show that Riyadh has 37 hotels; Jeddah, 47; the Eastern Province, 38; while the holy cities of Mecca and Madinah have a total of 54. The rest of the country has 66 hotels.

Of these, 14 are rated as 5-star or "excellent" hotels. Much to the relief of the kingdom's "excellent" hotel operators, there are no more five-star hotels under construction. Still, there are 3,672 excellent-class rooms available.

Some 44 hotels crowd the next category, "first class," with over 7,191 rooms. Another 19 such hotels are under construction, and will ultimately add another 4,511 rooms. There are 102 "second class" hotels with 7,707 rooms, plus another 67 under construction, adding yet another 4,940 rooms. Another 72 "third class" hotels have been built, with 2,947 rooms, and six others under

construction will add 306 rooms.

Riyadh and Jeddah each have three excellent class hotels. Riyadh has more total rooms, 1,008, than Jeddah, with 886. The Eastern Province, containing Dammam and Al-Khobar, has four such hotels, with 1,123 rooms.

Mecca and Madinah may not be big business centers, but because of their importance during the yearly Islamic pilgrimage called the Hajj, they have many hotels. Mecca has 1,960 rooms of all types, while Madinah has 2,690. Taif, the summer capital, has 1,134 rooms of all types.

Within the dots of the kingdom, Mecca has the most new hotels under construction. The southern province, which includes Abha in the mountainous Asir region, is the site of much construction, totalling 20 projects with 1,037 rooms. The rest of the kingdom has 21 projects, two of which ready to open, reflecting the government's desire to expand hotels in the outlying regions. The activity in Abha, particularly, reflects the desire to boost internal tourism in the green Asir region.

Most major European and U.S. hotel groups are represented in the kingdom: Marriott, Sheraton, Intercontinental, Hyatt, Gustar, Meidien, Novotel, Holiday Inn and Ramada. Most operate on profit-sharing agreements.

Intercontinental operates several hotels under the Intercontinental name, as well as, the government-only Conference Palaces. Among its hotels are the Riyadh Intercontinental, the Taif Intercontinental, and the Abha Intercontinental. To counteract

the hotel glut, the Intercontinental is fighting for market share by offering new services. Its boldest move is in Riyadh, where it just opened a new extension, offering luxury suites. Previously, said Riyadh Intercontinental's chief executive, Raymond Khalifeh, a lack of suites was the hotel's weak point. The new extension adds an indoor pool, squash courts, a small exhibition center/banquet hall, and an improved business center.

The Hyatt chain is also spread throughout the kingdom. The Hyatt Regency in Riyadh is located on Airport Street, close to major ministries. Hyatts are also located in Giza, Jeddah and Yanbu. The Hyatt competitive edge includes a variety of restaurants for clients. In Riyadh, for example, Chinese, Italian, Japanese and continental restaurants are located in the Hyatt Regency.

Sheraton has opened three hotels in the kingdom, including Riyadh's newest 5-star hotel, the Arabian Sheraton Hotel. Sheraton's new hotel, located close to the new Riyadh Exhibition Center, contains 180 rooms, of which 20 are suites. The hotel contains two restaurants and full sports facilities.

Sheraton's two other ho-

tel are located in Taif and in Madinah.

Gustar — Swiss International Hotels — operates the Al Khazama Hotel in Riyadh, which is owned by the King Fahd Foundation. Like the Riyadh Intercontinental, the Al Khazama has expanded its facilities to attract guests, with the addition of the Al Khazama Center. This new center includes a conference center for seating over 400 delegates, a new Italian restaurant, first-class residential accommodations and new sports and leisure facilities.

Gustar also operates the Red Sea Palace in Jeddah, which has been spruced up and benefits from the completion of work on the Jeddah tidal basin. This hotel is located in old downtown Jeddah and offers guests a chance to walk through the preserved neighborhoods of old houses built from brown coral blocks.

Marriott is located in Riyadh and Jeddah; the Jeddah facility is the city's newest

top-flight hotel. Unlike several of the hotel chains, the Marriotts in Riyadh and Jeddah are owned by different investors: the Riyadh unit is owned by Saudi Hotels and Resort Areas Co. (SHAR-ACO), whereas several wealthy investors own the Jeddah Marriott.

Sharaco is a publicly held company with government participation, and is the first Saudi hotel firm that has begun moving actively into hotel operations and management. It first depended on Marriott for its Riyadh hotel, but now manages Mecca's 417-room AL-Ajwad Hotel, Sharaco's flagship hotel. Sharaco also operates the 86-room AL-Baha Palace Hotel. Another operations contract has been signed with the 100-room Tabouk Palace Hotel, due to open in March.

Sharaco's newest contract is to operate Riyadh's newest hotel, the King Khalid International Airport hotel. The luxury 248-room facility, also slated for



The Riyadh Marriott Hotel.

Highways to Causeways: Transportation Consolidation

As in many other areas of Saudi development, much of the supporting infrastructure for communications and transport is already complete. Over the past 15 years, ports and airports were built, \$20 billion worth of roads have been laid, a national airline, Saudia, with a fleet of over 100 aircraft, has been turned into one of the world's top carriers.

The task now is to keep the whole network up to par. Maintenance is the prime objective — for instance, some roads built only ten years ago are beginning to show signs of deterioration.

This is why, in late 1985, weight restrictions on heavy trucks were introduced. The maximum weight currently allowed is 40 tons, and fines of \$80 for each four tons over the limit can be imposed on drivers. For weights over 56 tons, the fine is doubled.

Undoubtedly, a good deal of attention is being paid to the kingdom's new railway system to see how it can help ease pressure on the roads. This was the first full year for the new 450-kilome-

ter high-speed rail link between Riyadh and the Eastern Province's gateway of Dammam. The \$429-million double line, updating an earlier one built by Bechtel in 1951, was opened in September 1985.

At present, both passenger and freight services are still in the experimental stage. Eventually, it is expected that there will be six passenger trains a day in each direction, carrying a daily total of 2,500 passengers in the luxury trains bought from France and West Germany.

The Saudi Railways Organization (SRO) is convinced that the new passenger services will prove highly popular. Compared to the seven hours the journey used to take, the present four-hour ride compares favorably with air travel when airport waiting time is taken into account.

When it comes to cost, there is no comparison: the train ticket is a fraction of the air ticket. In today's cost-conscious Saudi Arabia, that is an important factor.

Nonetheless, freight is a major consideration for SRO. They hope that next

year the line will carry 5.3 million tons, much of it in containers heading from Dammam for the "dry" port container terminal in Riyadh.

Since its start-up in 1982, the freight line has proved a major success. By 1984 it was carrying 100,000 containers a year. But the Iraq War has had its effects. Shipping in the Gulf is down, and with it container traffic on the line. But the tide may be turning: 1986 saw the start of trainloads of imported Japanese and U.S. cars being shipped into the Riyadh terminal from Dammam.

If SRO had its way, work would have already started on another 4,000 kilometers of rail in the kingdom. The Ministry of Transport has plans to extend the line from Riyadh to the Red Sea city of Jeddah, with connections to Medina and Mecca; a Red Sea coastal line from Jeddah to Tabuk, running along the route of the old Hejaz railway; and links from Medina to Hail, from Hail to Buraidah and down to Riyadh, and from Dammam to the industrial city of Jubail.

Budgetary belt-tightening, however, almost certainly means that such plans will have to be delayed. This will slow development of a line to Jeddah and the Red Sea industrial city of Yanbu, a line which would help considerably to integrate the country's non-oil industrial infrastructure.

For many Saudis, however, air travel is the only conceivable way of moving around. Again in the Eastern Region, a \$2.1-billion airport is being built halfway between the Dammam-Dhahran-Al-Khobar region and the industrial city of Jubail, 100 kilometers to the north. Designed on the massive scale of Riyadh's King Khalid International and Jeddah's King Abdul-Aziz International, the \$28-sq-km King Fahd International is scheduled to open its doors in 1990. By the time the second phase is complete, probably in 1997, it should be handling an estimated 7 million passengers a year.

Jubail, too, is slated for its own local airport. This is due for completion by the end of the year.

Although there remain a host of other communications projects, the last two

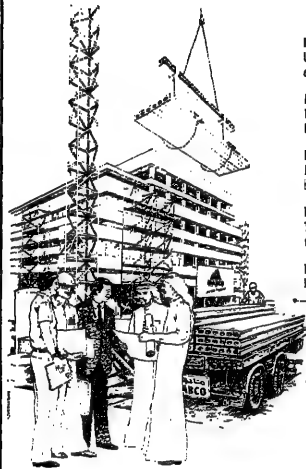
years have been a time of consolidation. It has been a time when long-awaited projects have been realized. The Dammam-Riyadh expressway was finally completed, as was the 12.5-km viaduct linking the port at Jeddah to the Mecca expressway.

But, undoubtedly, the jewel was the opening last month of the \$725-million "Bridge to the Future," the causeway linking the Saudi mainland with the island state of Bahrain. The second-longest bridge in the world, it took 1,700 people four years to build. Spanning the 26-km strait between the mainland and the island, its shape rises and falls gracefully to allow ships to pass. At the center, a man-made island accommodates border control and customs offices.

The causeway will have profound economic and social effects both on Bahrain and on the Eastern Region. Island and mainland complement each other. A Gulf megalopolis, consisting of the Dammam region, the industrial city of Jubail and the services and banking facilities of Bahrain, appears to be in the making.

— Michael Dalmoak

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ADVERTISING SECTION

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SABIC Switches to High Gear

Although SABIC was founded in 1975, it was only last year that most of its plants came completely on-stream and production began to surge. The long delay from conception to production was caused by the immense scope of Sabic's job: the company was designed to provide the basic industries necessary to industrialize Saudi Arabia, taking advantage as much as possible of Saudi raw materials.



H.E. Ibrahim A. Salamah, vice chairman and managing director of SABIC.

previously wasted associated natural gas. This natural gas occurs naturally with Saudi light crudes, and must be separated from the crude before it is shipped to customers. It used to be burned, or "flared off," after it was separated from the crude. The kingdom, deciding to conserve hydrocarbon resources and preserve the environment in one stroke, invested huge sums in its master gas collection system.

The system was built to collect gas, remove acidic sulfur (which is also an industrial product) and then pipe it to Sabic plants for use as a petrochemical feedstock. The plants then transform the gas into useful products with a higher value-added component. Sabic's planners expect that Saudi private

sector investors will build factories and plants that take these basic products and transform them into downstream products worth even more. To establish a broad industrial base, Sabic prepared the groundwork for establishing a large number of viable companies.

Sabic's first steps were to conduct feasibility studies and obtain industrial licenses. In most cases, it sought a foreign partner to provide both technology and foreign marketing expertise. The slate of Sabic production was large. Methanol, iron and steel bars, urea fertilizer, ethanol, glycol, and linear low- and high-density polyethylene are just some of Sabic's products. In many cases, different plants supply petrochemicals for the others. Arabian Petrochemical Company (Petrokem) produces 500,000 metric tons per year (mtpa) of ethylene, a large portion of which is taken by Eastern Petrochemical Co. (SHARQ) for its production of 300,000 mtpa of ethylene glycol and 130,000 mtpa of linear low density polyethylene (LLDPE). National Industrial Gases Co. (GAS) has just begun to produce nitrogen and oxygen needed by Sabic companies in their chemical processes. National Plastics Co. (Ibn Hayyan) will use Petrokem's ethylene and SADAF ethylene dichloride to produce vinyl chloride monomer (VCM) and polyvinyl chloride (PVC).

The partners lined up for the ventures include many well-known firms. Sharq and Saudi Methanol Co. (Ar-Razi) are both joint ventures with a consortium of Japanese firms led by Mitsubishi. National Methanol Co. (Ibn Sina) is a joint venture with Celanese and Texas Eastern. Saudi Petrochemical Co. (SADAF) is an ethylene,

ethylene dichloride, styrene, caustic soda, and crude industrial ethanol-producing joint venture with Shell Oil Co. of the United States. Al-Jubail Petrochemical Co. (Kenya) is a LLDPE plant half-owned by Exxon. Saudi Yanbu Petrochemical Co. (YANPET) is an ethylene, ethylene glycol, and low- and high-density polyethylene-producing joint venture with Mobil Oil. Ibn Hayyan is 15-percent owned by Korea's Lucky Goldstar Group. Saudi-European Petrochemical Co. (Ibn Zaher) is a joint venture with Finland's Neste Oy and Italy's Eni-Chem that will produce MTBE, an additive to unleaded gasoline. Al-Jubail Fertilizer Co. (SAMAD) is a urea plant half-owned by Taiwan Fertilizer Co. (Hadeed) is pure-owned by DEG of West Germany.

In 1986, Ibn Hayyan began its first production of products. In 1985, Gas's oxygen unit, with 438,000 mtpa capacity, came online. Sharq's ethylene glycol and LLDPE production began. Petrokem, Kenya, Yanbu and SADAF were both



Abdullah S. Nojaidi, president of SABIC.

completely onstream in 1985, as well.

Future expansion will include Ibn Hayyan's output, as well as Ibn-Zaher, Petrokem, and adding polystyrene



This model of The National Plastic Co. (Ibn Hayyan) helps SABIC project output in one of their plants.

and Butene-1 units that should be onstream in 1988.

With all of this output, it is not surprising that Sabic quinquennial profits. Profits rose to SR38 million on its sales of 5.4 million metric tons of petrochemicals and steel during the first half of 1986.

Profits for the same period in 1985 were SR10.2 million. Sabic produced 6.3 million metric tons for the entire year of 1985. It produced 5.7 million metric tons during the first half of 1986.

Sabic reported that total sales for the first half of 1986 rose 69.3 percent, to SR1.48 billion. Sales for the first half of 1985 totalled SR876.4 million. Other unspecified income remained nearly the same, at SR87 million.

During the first half of 1986, Sabic produced 3.82 million metric tons of chemicals, 741,000 tons of fertilizer, 499,000 tons of plastics, and 643,000 tons of other chemical products. It also produced 975,000 tons of steel products.

Sabic's success, however, is not written solely in production figures. Another important goal of the company

is to develop the kingdom's industrial cadres. Saudization is increasing steadily at SABIC. At the company's

headquarters, Saudization has topped 80 percent. More than 8,000 people work for Sabic's companies, and ap-

proximately 50 percent of them are Saudis. Sabic officials point out that a large percentage of the Saudis are skilled workers, foremen and engineers. At least 75 percent of the workforce at the two Sabic marketing companies is Saudi as well.

Sabic is not content with simply developing an industrial infrastructure for the nation. It is a trailblazer in the now-fashionable trend of "privatizing" government-held firms. Sabic floated 20 percent of its SR3-billion capital only to find the offering so heavily oversubscribed that it offered an additional 10 percent to the public.

Sabic's marketing efforts have yielded higher sales. Its companies are producing, and are providing Saudi workers with places in industry. And now Saudi investors are doing their share as well, working to speed Saudi Arabia's industrialization efforts.

—Doug Graham

Technology Growth in Saudi British Bank

Riyadh-based Saudi British Bank is working to develop the kingdom's level of banking technology and to introduce new banking products to the Saudi market, said the bank's new managing director, Clive Morgan, in a recent interview.

"We are a leading bank in the electronic banking side of things in Saudi Arabia," Morgan said. "All branches in the kingdom are linked on-line to the computer, so customers can deposit or withdraw from their account from any branch in the kingdom, regardless of where the money is kept."

Saudi British Bank was one of the first banks to introduce automatic teller machines (ATMs) in the kingdom, enabling its cus-

tomers to conduct banking operations during and after normal banking hours.

Saudi British also provides an electronic banking service called Hexagon, which permits users to perform various banking transactions, as well as check foreign exchange rates and interest rate quotations from different financial centers around the world. Hexagon is notably user-friendly, as well, a multi-tiered security system permits the user to open certain functions for use by subordinates. Employees are granted only as much access to company account information as they need.

Saudi British Bank is 60-percent owned by Saudi investors and 40-percent

owned by the British Bank of the Middle East, a wholly owned subsidiary of the Hongkong Bank. It has 28 branches. The bank will introduce new banking services, including a money-management service and demand drafts without a commission charge. "We are working on introducing new products wherever possible," Morgan said. "We want to capitalize on the in-house expertise of our foreign partners, and to develop the potential of our Saudi staff to the maximum."

Saudi British is trying to lure Saudi investment money into deposits. "What we are trying to do is attract money that is lying around outside of bank accounts," Morgan said. "If we can at-

tract Saudi funds to our bank instead of letting them flow overseas, it is to our advantage, and, I think, to the advantage of Saudi Arabia as well."

Saudi British Bank is capitalized at SR300 million (US \$40 million). In 1985, it reported a profit of SR104 million (\$27.75 million) before provisions and SR9 million (\$2.4 million) after provisions. Its deposit base grew during 1985 to SR7.12 billion (\$1.89 billion). Loans and guarantees declined from the previous year to SR3.3 billion (\$880 million). Total assets were higher, at SR8.18 billion (\$2.18 billion). Contra accounts declined to SR2.75 billion (\$733.3 million).

—Doug Graham

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Eurobonds Volume Set a New Record, But Growth Slowed in '86

By CARL GEWIRTZ
International Herald Tribune

PARIS — The Eurobond market closed the year with another record-high volume of business, but the pace of expansion slowed to less than half the rate of the previous two years. Data supplied by Salomon Brothers shows that \$178 billion worth of new issues were launched this year, an increase of 33 percent over 1985.

Although new issues may continue to be launched in the following weeks, the year, all are likely to be paid for next year and will fall into the 1987 tally. Of the 30 issues marketed last week, for example, only three were marked for payment this month. In addition, the issuing pace is expected to slow dramatically as institutional investors begin closing their books for their year-end reports and as retail investors prepare for the holidays.

The market's expansion this year is well below the 67-percent growth achieved in each of the previous two years. In fact, this year's 33-percent increase in dollar terms overstates the growth because one-quarter of the year's business was concentrated in currencies that appreciated about 40 percent against the dollar during the course of this year.

The outlook for next year is for a continued slowing in the rate of expansion. World economic growth is expected to be slow, implying low financing needs for industry. Sovereign borrowing to finance balance-of-payments deficits may pick up, but most of that business has already shifted to the lower-cost Euro-commercial paper market.

In addition, U.S. interest rates, which have been declining sharply over the past two years and may ease further in the immediate future, are likely to begin rising next year as the dollar's sharp depreciation starts to push up domestic prices and, therefore, the inflation rate.

This significant slow-down one-fifth of this year's activity in the bond market is estimated to have been replacement financing, the premature redemption of existing debt and the issuance of new, lower-cost paper. As rates rise, the opportunity to replace existing debt with cheaper debt will diminish.

THANKS TO the dollar's decline in the foreign exchange market, which has boosted demand for non-dollar assets, and increased values when translated back into dollars, the U.S. currency accounted for only 64 percent of this year's activity, down from 77 percent last year.

The biggest beneficiary was the yen, now the market's second-most popular currency, accounting for 2.5 percent of total volume. Japan's progressive relaxation of rules concerning access to this market was a major contributor to the near-doubling of the yen's share of total volume from just over 5 percent last year.

The Deutsche mark, now in third place, held 9 percent of the market compared to 6.4 percent a year earlier.

The market last week reflected underwriters' prudence about the winding down of investor demand and an unwillingness by the managers themselves to get stuck holding unsold paper over the long holiday period. As a result, terms on most of the new issues were pitched at what everybody agreed were realistic conditions designed to attract buyers.

The most complicated was BT Holdings' \$100 million issue of five-year notes offered at a premium of 101 1/8. Interest on this paper will be paid semiannually at rates rising in steps of about 20 to 30 basis points, from an initial 5.5 percent to a final 8.31 percent.

Interest can be collected as holders desire: semiannually or in full.

See EUROBOARDS, Page 15

Last Week's Markets

All figures are as of close of trading Friday

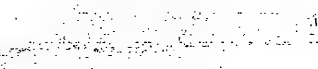
Table with 2 columns: Market, Change. Rows include US Dollar, US Treasury, US Government, US Corporate, US Municipal, US International, US Real Estate, US Commodities, US Energy, US Metals, US Agriculture, US Livestock, US Poultry, US Fish, US Seafood, US Dairy, US Eggs, US Grains, US Oil, US Gas, US Coal, US Lumber, US Paper, US Textiles, US Apparel, US Furniture, US Electronics, US Transportation, US Telecommunications, US Healthcare, US Pharmaceuticals, US Chemicals, US Plastics, US Rubber, US Glass, US Ceramics, US Metals, US Agriculture, US Livestock, US Poultry, US Fish, US Seafood, US Dairy, US Eggs, US Grains, US Oil, US Gas, US Coal, US Lumber, US Paper, US Textiles, US Apparel, US Furniture, US Electronics, US Transportation, US Telecommunications, US Healthcare, US Pharmaceuticals, US Chemicals, US Plastics, US Rubber, US Glass, US Ceramics.

Currency Rates

Table with 2 columns: Currency, Rate. Rows include US Dollar, US Treasury, US Government, US Corporate, US Municipal, US International, US Real Estate, US Commodities, US Energy, US Metals, US Agriculture, US Livestock, US Poultry, US Fish, US Seafood, US Dairy, US Eggs, US Grains, US Oil, US Gas, US Coal, US Lumber, US Paper, US Textiles, US Apparel, US Furniture, US Electronics, US Transportation, US Telecommunications, US Healthcare, US Pharmaceuticals, US Chemicals, US Plastics, US Rubber, US Glass, US Ceramics.

To Our Readers

Because of a strike at Agence France-Presse, the World Stocks in Review feature is not available today. We regret the inconvenience to our readers.



Motorola Battles In Japan Cellular Phones Cause Friction

By Susan China
Tokyo Times Service

TOKYO — A two-year effort by Motorola Inc. to sell cellular telephones in Japan threatens to become another point of friction between the U.S. and Japanese telecommunications.

A Japanese government advisory committee estimates that the number of people using such telephones is now 50,000, will soar to 4.5 million by the year 2000.

At first, Japanese technical standards effectively closed the market to U.S. telecommunications products, according to Donald Abelson of the Office of the U.S. Trade Representative who has worked on the Motorola case. But the two sides finally agreed to remove such barriers.

Motorola then looked for a Japanese partner who could receive a government license to offer cellular telephone services. It found one in Daiichi Denso, a new Japanese telecommunications company formed to compete with Nippon Telegraph & Telephone.

NTT now operates the only existing cellular telephone system in Japan, using a model developed exclusively for the Japanese market that is not compatible with the U.S. system.

Dr. Sachio Senoo, a senior vice president of Daiichi Denso, said that the company decided to use Motorola's system because it is based on an international standard.

Daiichi Denso then approached Japan's Ministry of Post and Telecommunications, which must issue the necessary licenses to operate cellular telephone services. Along the way, Motorola modified its system slightly to make it compatible with the NTT system.

According to Dr. Senoo and Mr. Abelson, negotiations with the ministry were progressing nicely when a civil company decided to enter the market.

Telcel Japan has strong government support and is expected to begin operations in the near future.

The group began an intensive lobbying effort for a license, according to Mr. Senoo, but the ministry was not ready to grant it.

While they do not challenge the government's contention that there are not enough channels for two cellular systems, the government's two conditions that it has an obligation to weigh not only the technical standards but also the business prospects for a new enterprise. This, they argue, can penalize foreign companies.

U.S. negotiators also suspect that Japanese industry might have persuaded the ministry not to proceed with Daiichi Denso's application and instead press the two companies to come to some agreement.

Over the past few months, Daiichi Denso and Telcel Japan have been discussing how they might join forces. But both sides say talks are not going well.

See HUNGARY, Page 15

Hungary Arranges \$200 Million Loan

By Carl Gewirtz
International Herald Tribune

PARIS — Hungary has arranged to borrow \$200 million from the Chemical Bank and Bank of Tokyo to arrange a \$200 million loan at a cost that sets a new low for the East European country.

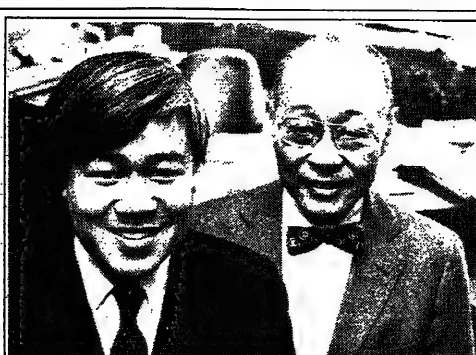
Interest on the eight-year loan, which is expected to be launched early next year, will be 16 percent over the London interbank offered rate. Previously, Hungary has paid a split 16-14 percent over Libor.

The decline follows the path set by the Soviet Union, which last paid a split 16-14 percent over Libor to tap the international credit market.

With few credit-worthy borrowers still willing to use the syndicated loan market, many lenders' financing is available through the sale of Euro-commercial paper, those who do tap the market can demand lower costs.

There is some question, however, how much longer and lower borrowing rates may drop. While there is no direct link with the floating-rate note sector of the Eurobond market, some bankers agree that the recent decline in the market for perpetual FRNs and the rise in margins on newly-issued dated FRNs signal that borrowing costs may start to rise.

The change in the FRN market has a two-pronged effect. Banks themselves will find it increasingly difficult to raise money below the interbank bid rate, Libor. Ever-lower funding costs have increased



Frederick Wang, left, was recently named to succeed his father, An Wang, as president of Wang Laboratories Inc., the maker of computer and word-processing equipment.

The Generations Change at Wang

By Thomas J. Luck
New York Times Service

LOWELL, Massachusetts — Frederick A. Wang inherited his father's position at Wang Laboratories Inc. at the inevitable risk to contrast his management style with that of his father, An Wang, the computer pioneer, philanthropist and founder of Wang Laboratories Inc.

"The product of a Yankee environment, he is not," said the junior Mr. Wang, 36, who was named last month to succeed his father as president, a position giving him control over most of the company's operations.

"Wang is rich with vision, and it is my job to implement it," he added. "We're going to hit solid singles rather than swing for home runs."

For Wang, a maker of computer and word-processing equipment, the succession could not have come at a more critical time. The company, based here, has been battered by steep losses,

product delays, layoffs and an exodus of top-level executives.

Until 1985, when the entire computer industry fell into a slump, Wang had been one of its stars. With a string of highly successful calculators and word-processing systems developed by An Wang, the company became an almost ubiquitous presence in the American office, selling its goods to more than 80 percent of the nation's 2,000 largest companies.

But now, as it realigns its management, Wang is also struggling to regain growth by concentrating its efforts on minicomputers, the machines used to expand and tie together large computer networks.

Unlike the word-processing systems that fueled Wang's growth during the 1970s, minicomputers put the company in direct competition with International Business Machines Corp., Digital Equipment Corp. and other industry giants at a time that the industry is continuing to

contract. So far, Wang has captured only a 3-percent share of the market, according to International Data Corp., a Framingham, Massachusetts, research firm.

An Wang, 66, remains the company's chairman and chief executive. In an interview, he said he did not plan to give up those jobs soon.

"My role is strategic," said the elder Mr. Wang, a precise, scholarly man who is known throughout the company's 12-story office and research complex here as "the doctor" in recognition of his Harvard Ph.D. in applied physics. He intends to involve himself in the company's day-to-day operations "where trouble requires my attention."

Still, he said the appointment of his son as president represents a broad shift in management strategy and a continuing effort to groom him for the chairman's job. In his autobiography, "Les-

See WANG, Page 15

Audit Questions Fermenta Value; Trading Halted

By Susan China
Stockholm — The entire board of the Swedish biotechnology group Fermenta AB has offered to resign over a report by company auditors, prompting the stock exchange to suspend trading in the company's shares for the ninth time this year.

The halt ordered by the Stockholm Bourse, is effective Monday and follows a two-day meeting by the board to consider the auditors' findings. The auditors questioned Fermenta's financial records, raising doubts about the drug group's profitability.

In a statement issued Saturday, the board said that Fermenta's auditors had major doubts about the value of assets in the company's books, mainly because the valuation was based on anticipated developments that did not occur.

The board was referring to transactions negotiated by Refaat el-Sayed, the company's Egyptian-born founder and major shareholder.

At worst, the statement said, the overvaluation could mean that the bulk of the 333 million kronor (\$50.6 million) profit posted by Fermenta for the first nine months of this year could disappear.

The rapidly growing Swedish pharmaceuticals group had predicted that its 1986 profits would nearly double to 700 million kronor, but the board said Saturday that this goal would not be reached.

The chairman of the Stockholm Bourse, Bengt Rydén, immediately announced that trading in Fermenta, one of the most active



Refaat el-Sayed

stocks on the exchange, would be suspended.

Trading in the stock has been suspended eight times this year. Mr. Sayed has said he is committed to repaying a personal debt of 554 million kronor in the second half of December.

The vast bulk of his personal fortune consists of his stake of nearly 80 percent in Fermenta. It has been widely speculated that Mr. Sayed would seek to sell his holdings over the next few days to raise cash to pay his debts.

Commenting on the auditors' criticism of the method for valuing assets, Fermenta's chairman, Ove Sundberg, said the company was doing so much business that "one thinks there has been a deal when in fact there has only been an agreement."

Baker, Stoltenberg Discuss World Debt Crisis, Currencies

By Susan China
KIEL, West Germany — James A. Baker 3d, the U.S. Treasury secretary, and Gerhard Stoltenberg, West Germany's finance minister, met Saturday in the Baltic port of Kiel for talks on currencies and the international debt crisis.

Frankfurt currency dealers were nervous about the possibility that the two might conclude an economic policy accord that would affect the value of the dollar on foreign exchanges.

Whether Mr. Stoltenberg or Mr. Baker would comment on whether any specific financial and economic policy measures had been considered.

"We discussed a wide range of subjects, including coordination of economic and financial policy, currency developments and the international debt crisis," Mr. Stoltenberg said.

He said the talks helped to prepare for International Monetary Fund and World Bank meetings next spring.

The United States, with its huge trade deficit, had been pressing Japan and West Germany to cut interest rates and fire up their economies in the hope this would stimulate world expansion and buoy U.S. exports.

Japanese Finance Minister Kiichi Miyazawa and Mr. Baker came to a surprise agreement on Oct. 31 in which Japan agreed to curb its interest rates in return for the United States ceasing to talk the dollar down against the yen.

A West German official, who declined to be named, said after Saturday's meeting that the United States "will lie until after the general election in West Germany" next month, but that it can be expected to resume its pressure on Bonn after the Jan. 25 vote.

The meeting with Mr. Baker was arranged at short notice and took place in Kiel because the West German minister was campaigning in his home state.

After the talks Mr. Baker flew to Italy to meet Treasury Minister Giovanni Goria.



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NASDAQ National List

OTC consolidated trading for week ended Friday, Dec. 11

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100% Treasury	8.00	100.00	100.00	100.00	100.00

Security	Yield	Price	High	Low	Close
100% Treasury	8.00	100.00	100.00	100.00	100.00
100% Treasury	8.00	100.00	100.00	100.00	100.00
100% Treasury	8.00	100.00	100.00	100.00	100.00
100% Treasury	8.00	100.00	100.00	100.00	100.00
100% Treasury	8.00	100.00	100.00	100.00	100.00

Security	Yield	Price	High	Low	Close
100% Treasury	8.00	100.00	100.00	100.00	100.00
100% Treasury	8.00	100.00	100.00	100.00	100.00
100% Treasury	8.00	100.00	100.00	100.00	100.00
100% Treasury	8.00	100.00	100.00	100.00	100.00
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Security	Yield	Price	High	Low	Close
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100% Treasury	8.00	100.00	100.00	100.00	100.00
100% Treasury	8.00	100.00	100.00	100.00	100.00
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100% Treasury	8.00	100.00	100.00	100.00	100.00

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100% Treasury	8.00	100.00	100.00	100.00	100.00
100% Treasury	8.00	100.00	100.00	100.00	100.00
100% Treasury	8.00	100.00	100.00	100.00	100.00

Security	Yield	Price	High	Low	Close
100% Treasury	8.00	100.00	100.00	100.00	

OTC Consolidated trading for week ended Friday, Dec. 11

State	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422
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[illegible]

NASDAQ National Market

OTC Consolidated trading for week ended Friday

[illegible]

American Exchange Option

Figures as of close of trading Friday

Dec 11

[illegible]

Chicago Exchange Options

Flowers as of close of trading Friday

Dec 12

[illegible]

Lorimar Ends Offer to Sell Its Metrocolor Unit

CULVER CITY, California — Lorimar-Telepictures Corp. has said an offer to sell its Metrocolor film processing division to rival Technicolor for \$60 million has been terminated due to continued opposition by the U.S. government.

The owners of Technicolor, MCA-Andrews & Forbes Group of New York, "called off the sale in light of the opposition by the antitrust division" of the Justice Department.

Barbara Brophati, senior vice president of Lorimar-Telepictures said Friday

The proposed transaction, which involved the two major competitors in the motion picture film-processing business, was attacked by the government as a move to lessen competition in the industry.

Federal attorneys on Thursday asked U.S. District Judge James Ideman to block the sale on grounds it would lead to higher processing fees for films and eventually to costlier movie tickets to the public.

Mr. Ideman issued a temporary restraining order Friday. He then scheduled another hearing for next Friday on a request for a preliminary injunction to extend the order.

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SPORTS

Browns Stun Bengals to Win AFC Title

Compiled by Our Staff From Dispatches

CINCINNATI — Bernie Kosar

shocked Cincinnati with two long

touchdown passes in the first

quarter Sunday and the Cleveland

defense shut down the National Foot-

ball League's most productive

offense as the Browns won their

second straight American

Conference Central Division title by

beating the Bengals, 34-13.

The victory, which stood for a

30-13 loss in Cleveland earlier this

year, put the Browns at 11-4, two

games ahead of the Bengals and

tied for the best record in the AFC.

Kosar went deep on the first play

from scrimmage, hitting Reggie

Langhorne for 66 yards to the

Cincinnati two. Two plays later, K-

Mac scored. Then, on second and

one with 1:13 left in the first

quarter, Kosar threw a 47-yard touch-

down pass to Webster Slaughter to

give the Browns a 14-3 lead.

The Bengals, who had gained

34 yards last week against New

England, and were averaging 29

points for their last nine games,

reached the Cleveland four on their

first possession but never got past

their opponent's 28 until the game

was out of reach. Boomer Eason

was 15-of-31 passes for 133 yards.

Kosar was 15-of-29 for 246 yards.

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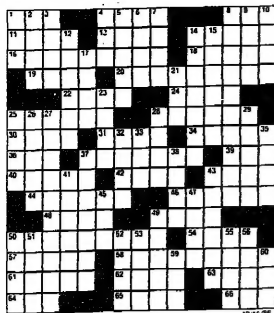
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ACROSS

1 Perform

4 Complains

8 Sci. degree

11 Pairs

13 Clavishly

14 Resort

18 Urban hatters

19 Haulboys

20 Smack

23 Centers

24 C.C.N.Y. or

25 A football kick

28 School barge

30 E.C.O.I.S.

31 Soviet tree

34 "I am Barn"

36 "I love" Lulu

37 Bathub

38 Short poem

40 Buckside

42 Put

43 Revolve

44 Sums

46 Rubbed out

48 Pegmore

49 Sassy lass

50 Name on an

51 Oil carrier

57 — de menthe

58 Brake fast

DOWN

61 Astor, Garden

62 Faithful

63 Appropri-

64 mately

65 Rhyme's river

66 Betray

67 Mata Hari, e.g.

68 Tactless

69 Miscreant

70 Tactless

71 TV

72 Commercial

73 Cat's paw

74 P.T.O.I.F.

75 Spread

76 Menace near

77 Tactless

78 Hardy girl

79 Reese, Marion

80 A Princeton

81 Mary's First

82 Lady

83 Turkish

84 Cavalryman

85 Luxury vehicle

86 Lower

87 Standoff

88 Cudgel

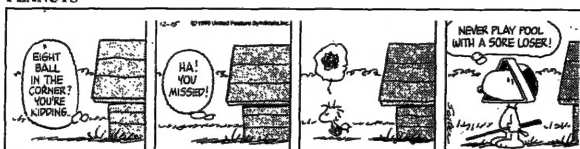
89 Sports suit

90 Attempts



THE DIFFERENCE — River Plate striker Antonio Alzamendi, above, scored a 28th-minute goal that defeated Stearns Bucharest, 1-0, in Sunday's World Cup soccer match in Tokyo. Alzamendi trapped a long free kick from midfielder Roberto Alonso, fired a low shot that ricocheted off the right goalpost — and then headed his own rebound past goalie Dumitru Stangiu.

PEANUTS



BLONDIE



BEETLE BAILEY



ANDY CAPP



WIZARD OF ID



REX MORGAN



GARFIELD



THE MORNING AFTER: American Successes and Excesses, 1981-1986

By George F. Will. 400 pages. \$19.95. The Free Press, 866 Third Avenue, New York, N.Y. 10022.

Reviewed by Ronald Steel

Old newspaper columns are, to use a William F. Buckley Jr. phrase, "the only kind of journalism that is not a profession." The reason lies not in the quality of the writing, but in the nature of the subject. The subject is the news of the day, the events of the day, the events of the day.

But this volume of selected columns is a testament to the power and self-assurance. Considering the tedium of stale news and the precious certainty of instant wisdom, it is surprising how readable so many of these columns are. The reason lies not in Will's judgments but in the manner in which he expresses his opinion. What this collection makes clear is that Will is not so much a thinker as a stylist.

There are essentially two ways of being a columnist. One can seek to elucidate the issues or to make a statement. The former is the work of the analyst, the latter of the storyteller. Will falls into the latter category. He is far too much interested in the events of the day to be an analyst. The ability to stand back from events and see them in a wider perspective and to understand the conflicting motivations of contending parties are not qualities he has mastered or even seems to value.

Rather, what he does is to argue attitudes. He finds a great many things offensive, like hotel lobbies and arms control, modern art and the psychiatric defense in criminal trials. He is often called to be "liberal," which he is, but he is also a man of letters, whom he accuses of a variety of crimes, ranging from acceptance of free press tickets to academic conferences (a curious complaint from a man who makes more than \$1 million a year addressing conventions) to an undue con-

sideration for the poor.

Solution to Friday's Puzzle



1. DITTY THAWES
2. SENATE RADIOS
3. MANFROMLA MANCHA
4. AFRICAN KITTEN
5. DATA REAL SERA
6. ARE PARIS SAYER
7. MISERIES WISEST
8. LANDLORDS
9. CAVY CHERITIAS
10. AROSE STAYS RAT
11. RAY MAUTE MICA
12. OMAR EURO DASHY
13. BATTLE CRAFTS
14. BATTLE CRAFTS
15. SHOOT ORGAN

12/13/86

Ronald Steel, author of "Water Lilies and the American Century" and professor of international relations and journalism at the University of Southern California, wrote the review for the Los Angeles Times.

BOOKS

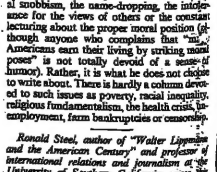
cern for trees and wildlife. Environmentalists, he writes, are "the only kind of journalism that is not a profession." The reason lies not in the quality of the writing, but in the nature of the subject. The subject is the news of the day, the events of the day, the events of the day.

There is also in these columns, if not in television, the good-guy image: the man who is a bit of a nerd, but who loves baseball, his family, and even something like American pop culture. Although Will devotes a good many columns to baseball, it is unlikely that true addicts want him to get his juices going every morning. Rather, his comments are designed for those who congratulate themselves on their love of the game, just as they imagine that by doing so they are establishing contact with the common man. George Will is a sports lover for purposes just as he is a conservative for purposes just as he is a conservative.

In this collection, Will has gone to great effort to make the reader aware of his "guy's life." He treats us, effectively, some might say, like a child. He is a man of letters, whom he accuses of a variety of crimes, ranging from acceptance of free press tickets to academic conferences (a curious complaint from a man who makes more than \$1 million a year addressing conventions) to an undue con-

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BRIDGE

By Alan Truscott

An old argument, never likely to be resolved, concerns the precise standards that are appropriate for a minimum opening bid. At one extreme are the Roth-Stone dealers, who often pass a 13-point hand if it is balanced and unprejudicial. At the other are light opening bidders, in the British tradition, who seldom pass with 12 points and often bid with 11. Most tournament players are somewhere in the middle.

Light opening bidders often find themselves in optimistic games, driven by partners who are expecting a little more high-card strength. But these contracts sometimes succeed, as witness the diagrammed deal from the recent Grand National Pairs final in Manhattan.

The combination of South's vulnerability and his British origins induced him to bid one heart. His partner naturally passed him to game. Three notrump was distinctly shaky at-

When the last diamond was bid, and hearts were thrown by West. South, West was helpless. Partnering with the heart

ace would have been hopeless and a discard of a club would have permitted South to beat the jack and pin the ace. He reluctantly gave up one of his spade winners, and was thrown in with a heart 9-8. This forced a club lead and a finish, and it did not matter whether or not the last spade was cashed to square the deal.

North-South nearly all the available match points.

NORTH		SOUTH	
♠ A J 6	♥ A 2	♠ A 2	♥ A 2
♦ A K 8 5 4	♣ A K 8 5 4	♦ A K 8 5 4	♣ A K 8 5 4
♠ A 2	♥ A 2	♠ A 2	♥ A 2
♦ A K 8 5 4	♣ A K 8 5 4	♦ A K 8 5 4	♣ A K 8 5 4
♠ A 2	♥ A 2	♠ A 2	♥ A 2
♦ A K 8 5 4	♣ A K 8 5 4	♦ A K 8 5 4	♣ A K 8 5 4
♠ A 2	♥ A 2	♠ A 2	♥ A 2
♦ A K 8 5 4	♣ A K 8 5 4	♦ A K 8 5 4	♣ A K 8 5 4
♠ A 2	♥ A 2	♠ A 2	♥ A 2
♦ A K 8 5 4	♣ A K 8 5 4	♦ A K 8 5 4	♣ A K 8 5 4
♠ A 2	♥ A 2	♠ A 2	♥ A 2
♦ A K 8 5 4	♣ A K 8 5 4	♦ A K 8 5 4	♣ A K 8 5 4
♠ A 2	♥ A 2	♠ A 2	♥ A 2
♦ A K 8 5 4	♣ A K 8 5 4	♦ A K 8 5 4	♣ A K 8 5 4
♠ A 2	♥ A 2	♠ A 2	♥ A 2
♦ A K 8 5 4	♣ A K 8 5 4	♦ A K 8 5 4	♣ A K 8 5 4
♠ A 2	♥ A 2	♠ A 2	♥ A 2
♦ A K 8 5 4	♣ A K 8 5 4	♦ A K 8 5 4	♣ A K 8 5 4
♠ A 2	♥ A 2	♠ A 2	♥ A 2
♦ A K 8 5 4	♣ A K 8 5 4	♦ A K 8 5 4	♣ A K 8 5 4
♠ A 2	♥ A 2	♠ A 2	♥ A 2
♦ A K 8 5 4	♣ A K 8 5 4	♦ A K 8 5 4	♣ A K 8 5 4
♠ A 2	♥ A 2	♠ A 2	♥ A 2
♦ A K 8 5 4	♣ A K 8 5 4	♦ A K 8 5 4	♣ A K 8 5 4
♠ A 2	♥ A 2	♠ A 2	♥ A 2
♦ A K 8 5 4	♣ A K 8 5 4	♦ A K 8 5 4	♣ A K 8 5 4
♠ A 2	♥ A 2	♠ A 2	♥ A 2
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♠ A 2	♥ A 2	♠ A 2	♥ A 2
♦ A K 8 5 4	♣ A K 8 5 4	♦ A K 8 5 4	♣ A K 8 5 4
♠ A 2	♥ A 2	♠ A 2	♥ A 2
♦ A K 8 5 4	♣ A K 8 5 4	♦ A K 8 5 4	♣ A K 8 5 4
♠ A 2	♥ A 2	♠ A 2	♥ A 2
♦ A K 8 5 4	♣ A K 8 5 4	♦ A K 8 5 4	♣ A K 8 5 4
♠ A 2	♥ A 2	♠ A 2	♥ A 2
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♠ A 2	♥ A 2	♠ A 2	♥ A 2
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